# FY 2020

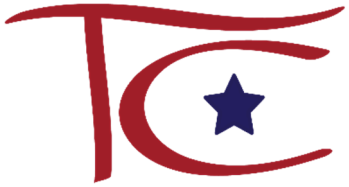
October 01, 2019 - September 30, 2020

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

TOWN OF TROPHY CLUB

PREPARED BY

DEPARTMENT OF FINANCE



TOWN OF
TROPHY CLUB

*COMPREHENSIVE*
*ANNUAL FINANCIAL REPORT*

**of the**

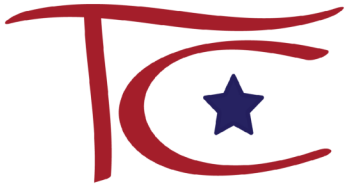
# Town of Trophy Club, Texas

**For the Year Ended**
**September 30, 2020**


**Prepared by**

Steve Norwood
Town Manager

Mike Erwin
Finance Manager



TOWN OF
TROPHY CLUB

# Town of Trophy Club, Texas

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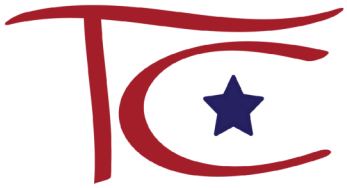

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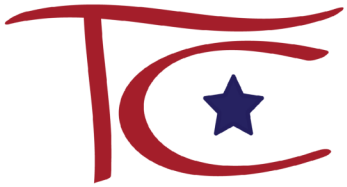

TOWN OF
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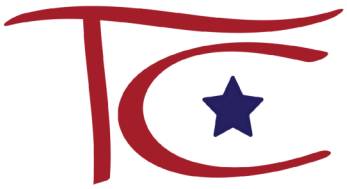
# *INTRODUCTORY SECTION*



TOWN OF
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TOWN OF
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Town of Trophy Club
1 Trophy Wood Drive
Trophy Club, TX 76262
Phone (682) 237-2900
Fax (682) 237-2996

March 23, 2021

Honorable Mayor, Members of the Town Council,
And the Citizens of the
Town of Trophy Club, Texas

The Town's Finance Department has a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) which were audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. The Comprehensive Annual Financial Report (Annual Report) for the Town of Trophy Club, Texas for the fiscal year ended September 30, 2020 is hereby issued.

This report consists of management's representations concerning the finances of the Town. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making the representations, management of the Town has established a comprehensive internal control framework that is designed both to protect the Town's assets from loss, theft, or misuse and to compile sufficient and reliable information for the preparation of the Town's financial statements in conformity with GAAP. Internal controls should not outweigh their benefits; therefore, the Town's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute assurance, that the financial statements are free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Town's financial records have been prepared and audited by BrooksWatson & Company, PLLC, Certified Public Accountants, as required by the Town Charter. This Annual Report has been prepared based upon those audited records. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town are presented fairly, in all material respects, for the fiscal year ended September 30, 2020. This independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Town's financial statements for the fiscal year ended September 30, 2020, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Town's MD&A can be found immediately following the report of the independent auditor.

**Profile of the Town**

The Town of Trophy Club, Texas incorporated in 1985 as Texas' first premiere master planned community, is located in the North Central portion of Texas. This area of the State has proven to be one of the top

growth areas in Texas and the United States. The Town currently occupies a land area of just over 4 square miles and serves a growing population of approximately 12,541 The Town is empowered to levy a property tax on real property located within its boundaries. The Town has a median household income of $147,477 and a median housing value of $400,500.

Trophy Club has operated as a Home Rule municipality utilizing the Council-Manager form of government since 2004. With the Charter Amendments passed at the May 11, 2013 election policy-making and legislative authority are vested in the Town Council consisting of the Mayor and six other council members. The Town Council is responsible for, among other things, passing ordinances, adopting the budget, appointing boards and committees, and hiring the Town Manager, Town Secretary, Municipal Judge, and Town Attorney. The Town Council is elected on a non-partisan basis. With the Charter Amendments passed at the May 9, 2009 election, Council members are elected from the Town at-large-by-place in the manner, for a term of three (3) years or until their successors have been elected and take office. Each Council member shall be elected to and occupy a place on the Council, such Places being numbered (e.g., Place 1, Place 2, Place 3, etc.). No person shall serve as Mayor or Council member for successive elected full terms totaling more than six years. The Town Manager is responsible for carrying out the policies and ordinances of the Town Council, overseeing the day-to-day operations of the government and for appointing the heads of the various Town departments.

The Town of Trophy Club provides a full range of municipal services including general government, public safety, streets, parks and recreation, planning and zoning, code enforcement, and drainage utilities. Water/wastewater is provided through the Municipal Utility District.

**Local Economy**

Fast-paced growth is one of the Town's identifying characteristics, identified by both the Dallas Business Journal and Fort Worth Builders Association. Trophy Club's location between DFW and Alliance Airports is ideal for businesses and residents, as well as those who commute to Dallas, Denton, Las Colinas, and Fort Worth. Trophy Club maintains a small-town, picturesque feel while taking advantage of nearby metro areas. The Town offers an outstanding quality of life, with great educational and recreational amenities as well as two 18-hole premier golf courses including the only course designed by Ben Hogan.

The North Texas region possesses diverse research and education institutions, logistics, oil and gas, manufacturing and industrial, and a professional services base that has contributed to the relative stability of the unemployment rate with approximately half of the local workforce employed in management, professional, and related occupations. Figures from the Bureau of Labor Statistics indicate a Dallas/Fort Worth unemployment rate of 6.3% while the national unemployment rate is 7.8% as of September 2020.

Trophy Club has worked diligently to position itself for a significant future within DFW and the Alliance corridor. The Town has issued over 1,000 building permits for high end homes over the past 8 years, with 50 new residential building permits for a total of $17,596,468 and 1 commercial building permit for a total of $9,800,000 for Fiscal Year 2020. Additionally, the Town's tax base exceeded $1.8 billion net taxable value in 2020. Business growth continues to be strong in Trophy Club and the Highway 114 region. The Town directly benefits from those businesses locating within the Town or professionals moving to our neighborhoods who work at nearby corporations.

**Long-Term Financial Planning**

In December of 2015, the Town refunded the Trophy Club Public Improvement District #1 (PID) bonds which will help residents of the PID realize over $16.4M in savings over the life of the debt. In August of 2020 the Town refunded $3,550,000 in Certificates of Obligation Bonds for a savings of $500,000 over the remaining 10 years.

**Budgeting Process**

The Town of Trophy Club uses a program-based budgeting process. Each budgeting unit provides for the expenditures associated with services and supplies appropriated for in the prior year budget. Personnel expenditures are compiled by the Finance department. Any funding request that represents new expenditures and programs must be submitted as a separate supplemental request. Capital items are funded based on a replacement schedule, need, and available resources.

*Revenue Projection*

The budget revenue projections for the new fiscal year begin early in the current fiscal year. The projections are made by the departments responsible for the revenues with help from the Finance staff. Projections are based upon consultations with state and local agencies, trend analysis, anticipated changes in the local and regional economy, and discussions with directly associated staff members. Although revenue projections are prepared early in the budget process, the budget revenue analysis continues with departmental budget development and extends until the budget is adopted based upon any new information.

*Proposed Budget Analysis/Compilation*

The Finance Department reviews and compiles a preliminary departmental budget to present to the Budget Team, which is comprised of the Town Manager, Assistant Town Manager, and Finance Manager. During Budget Team discussions, each department director answers questions from the entire group concerning their budget.

Given revenue projections and baseline funding requirements, budget funding changes are made according to necessity and priority. A total recommended funding level is determined and is weighed against available resources.

*Proposed Budget Development*

The Town Manager shall prepare and submit to the Town Secretary, the annual budget covering the next fiscal year. The Town Manager's proposed budget should assume, for each fund, operating revenues and resources that are equal to, or exceed operating expenditures. The Town Manager's budget message summarizes funding requirements, major changes in programs, and alternatives for funding.

*Town Council Budget Study*

Each fund's information, supplemental items, capital replacement data, and the five year capital improvement program are presented to the Council from May until the budget is adopted. This approach allows the Council to discuss items and give direction prior to the proposed budget being submitted.

*Capital Program*

The Town Manager shall prepare and submit to the Council a five (5) year capital program no later than three months before the final date for submission of the budget. The capital program shall be revised and extended each year with regard to capital improvements still pending or in process of construction or acquisition (Charter Section 9.08).

*Public Hearing/Budget Adoption*

A public hearing on the proposed budget and the tax rate (if applicable) are held in August and September prior to final budget consideration. At the public hearings, citizens may make formal comments concerning the proposed budget. The public also has the opportunity to attend Town Council budget work sessions from May through budget adoption.

Budget adoption occurs in September after Town Council deliberations and the public hearing(s). The Town Council adopts a tax rate to support adopted funding levels. Pursuant to Town Charter, the budget in place for the preceding year shall remain in place on a month-to-month basis until such time as a new budget has been adopted if no Town Council action is taken before the end of the fiscal year ending, September 30th.

*Compilation of Adopted Budget/Budget Maintenance*

The adopted budget is compiled and published during the first months of the new fiscal year. The adopted budget in the form of an amended proposed budget is available for public inspection in October. Ledger accounts are prepared for the new fiscal year prior to October 1.

Budget maintenance is a year-round activity of divisions/departments and Finance Department staff. Other spending control mechanisms include monthly review of expenditures by Finance Department staff. During the budget process, departments make revenue and expenditure estimates for the current year.

Finally, program goals, objectives, and measures are evaluated during budget implementation to determine the effectiveness of program activities and levels of appropriate funding for subsequent years.

**Relevant Financial Policies**

During Fiscal Year 2010, the Town established a Cash Management Program and Policy for the purpose of ensuring adequate internal controls to account for the handling of Town cash and to maintain public trust.

Staff also created the Town's Investment Policy. The purpose of the investment policy was to comply with Chapter 2256 of the Government Code ("Public Funds Investment Act"), which requires the Town of Trophy Club to adopt a written investment policy regarding the investment of its funds and funds under its control. The Investment Policy addresses the methods, procedures, and practices that must be exercised to ensure effective and judicious fiscal management of Trophy Club's funds. The investment policy received the Government Treasurers' of Texas Certificate of Distinction for Investment Policy in June 2011.

The Town Council adopted a fund balance policy in September 2011 which established new fund balance categories (as recommended by Statement No. 54 by the Governmental Accounting Standards Board) and established a minimum unassigned fund balance goal (30% of annual operating expenditures).

In September 2016 the Town implemented revised purchasing and travel and training policies.

**Major Initiatives**

The Town Council has continued its strategic planning process to identify goals and objectives for long range planning. Each year, the Council meets in strategic planning retreats to review and refine those

goals. Management Team members utilize the strategic planning documents to help guide their budget planning and service/program implementation.

**Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Trophy Club for its Annual Report for the fiscal year ended September 30, 2019. This was the tenth consecutive year that the Town has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report could not be accomplished without the dedicated services of the entire staff of the Finance Department. We would also like to express our appreciation to all staff members who assisted and contributed to the preparation of this report. Acknowledgment is also given to representatives of BrooksWatsonCo, PLLC, Certified Public Accountants.

Special acknowledgement is given to the Mayor and the members of the Town Council for their support for maintaining the highest standards of professionalism in the management of the Town of Trophy Club finances.

Respectively submitted,

Steve Norwood.
Town Manager

Mike Erwin
Finance Manager

TOWN OF
TROPHY CLUB

Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Town of Trophy Club**
**Texas**

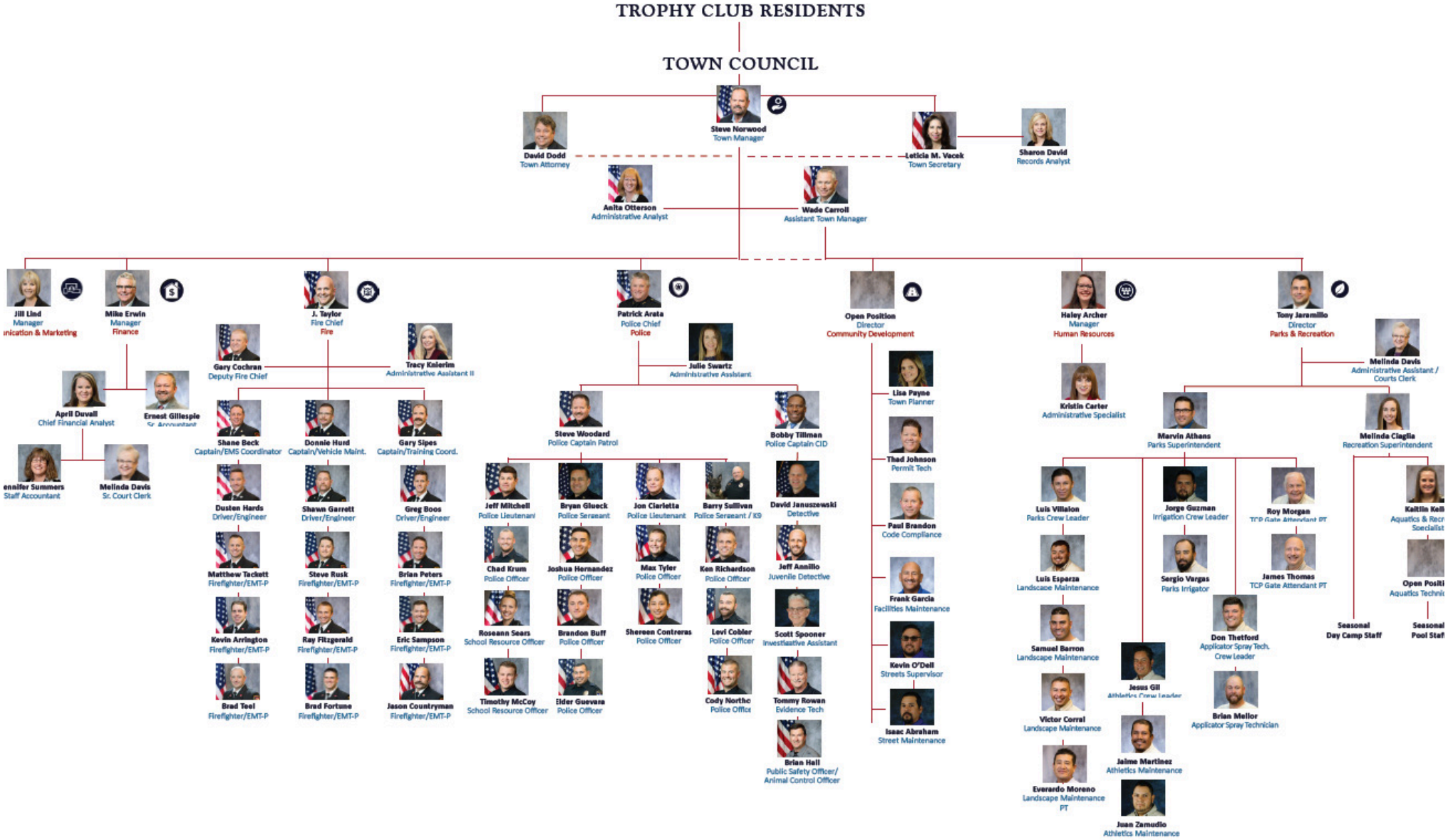
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

September 30, 2019

Christopher P. Morrill

Executive Director/CEO

# TOWN OF TROPHY CLUB
## ORGANIZATIONAL CHART



# LIST OF PRINCIPAL OFFICIALS

## TOWN COUNCIL

**Alicia Fleury**
Mayor

**Greg Lamont**
Mayor Pro Tem, Place 1

**Gregory Wilson**
Place 2

**Sean Bone**
Place 3

**Karl Monger**
Place 4

**Michael Geraci**
Place 5

**Philip Shoffner**
Place 6

## TOWN MANAGER'S OFFICE

**Steve Norwood**
Town Manager
***682.237.2901***

**Wade Carroll**
Assistant Town Manager
***682.237.2984***

**Leticia M. Vacek**
Town Secretary
***682.237.2903***

**Anita Otterson**
Administrative Analyst
***682.237.2900***

**David Dodd**
Town Attorney
***682.237.2904***

**Sharon David**
Records Analyst
***682.237.2905***

TOWN OF
TROPHY CLUB

# *FINANCIAL SECTION*

TOWN OF
TROPHY CLUB

BROOKSWATSON & CO.
CERTIFIED PUBLIC ACCOUNTANTS

*INDEPENDENT AUDITOR'S REPORT*

To the Honorable Mayor and
Members of the Town Council
Town of Trophy Club, Texas:

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Trophy Club, Texas (the "Town"), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

**Management's Responsibility for the Financial Statements**

The Town's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the

financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinions**

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town as of September 30, 2020 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios, schedule of employer contributions to pension plan, schedule of changes in other postemployment benefits liability and related ratios, general fund budgetary comparison, and PID budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Trophy Club basic financial statements. The combining and

budgetary comparison schedules for the other governmental funds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information noted above is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and the statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2021 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

BrooksWatson & Co., PLLC
Certified Public Accountants
Houston, Texas
March 23, 2021

TOWN OF
TROPHY CLUB

# Town of Trophy Club, Texas

*MANAGEMENT'S DISCUSSION AND ANALYSIS*

**September 30, 2020**

As management of the Town of Trophy Club, Texas (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-iv of this report.

## Financial Highlights

- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows (net position) at September 30, 2020 by $65,032,094.

- The Town's total net position increased by $369,643. The majority of the Town's net position is invested in capital assets or restricted for specific purposes.

- The Town's governmental funds reported combined ending fund balances of $16,358,617 at September 30, 2020, an increase of $851,580 from the prior fiscal year; this includes an increase of $1,724,168 in the general fund, an increase of $232,970 in the debt service fund, a decrease of $1,583,426 in the capital projects fund, a decrease of $992 in the PID No. 1 fund, and an increase of $478,860 in the nonmajor governmental funds.

- At the end of the fiscal year, unassigned fund balance for the general fund was $6,988,719 or 66% of total general fund expenditures.

## Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

## Government-Wide Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. Two statements, the Statement of Net Position and the Statement of Activities, are utilized to provide this financial overview.

The *statement of net position* presents information on all of the Town's assets and liabilities. The difference between the two is reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. Other non-financial factors, such as the Town's property tax base and the condition of the Town's infrastructure, need to be considered in order to assess the overall health of the Town.

The *statement of activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, police, emergency medical services, community development, parks and recreation, streets, court, council and administration. Normally, these operations are financed by property taxes, sales taxes, and franchise fees. The business-type activities of the Town include Trophy Club Park and Storm Drainage Utility operations.

The government-wide financial statements include not only the Town itself (known as the *primary government*), but also the legally separate component units, 4B Economic Development Corporation, the Tax Increment Reinvestment Zone #1, and the Crime Control and Prevention fund, which the Town is financially accountable. Financial information for these component units are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 18-25 of this report.

**FUND FINANCIAL STATEMENTS**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds**

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental* activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of

revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

The Town maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, the capital projects fund, and the PID, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in a separate section of the report.

The Town adopted an annual appropriated budget for each fund other than the grant fund. A budgetary comparison statement has been provided for each fund with an adopted budget to demonstrate compliance with their respective budget.

The basic governmental fund financial statements can be found on pages 26-33 of this report.

**Proprietary Funds**

The Town's proprietary funds are all enterprise funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses an enterprise fund to account for its Trophy Club Park and Storm Drainage operations. All activities associated with providing such services are accounted for in these funds, including salaries and benefits, supplies and materials, repairs and maintenance, utilities, and other operating expenses. The Town's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise.

Proprietary financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for Trophy Club Park, and Storm Drainage Utility, both of which are considered to be major funds of the Town.

The basic proprietary fund financial statements can be found on pages 36-39 of this report.

**Component Units**

The Town maintains the accounting and financial statements for three discretely presented component units. The 4B Economic Development Corporation, the Tax Increment Reinvestment Zone #1, and the Crime Control and Prevention fund are all discretely presented component units displayed on the government-wide financial statements.

**Notes to Financial Statements**

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 41-84 of this report.

**Other Information**

In addition to the basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The required RSI includes a budgetary comparison schedule for the general fund, schedule of changes in the net pension liability and related ratios and schedule of employer contributions for the Texas Municipal Retirement System. RSI can be found after the basic financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the Town's financial position. For the Town of Trophy Club, Texas, assets exceeded liabilities by $65,032,094 as of September 30, 2020, in the primary government.

The largest portion of the Town's net position, $52,182,832 reflects its investments in capital assets (e.g., land, buildings, water system, machinery and equipment, construction in progress), less any debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town of Trophy Club, Texas' net position of $6,821,486 represents resources that are subject to external restrictions on how they may be used.

At the end of the current fiscal year, the Town of Trophy Club, Texas is able to report positive balances in all reported categories of net position for the primary government, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

**Statement of Net Position:**

The following table reflects the condensed Statement of Net Position:

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total | Governmental Activities | Business-Type Activities | Total |
| Current and other assets | $ 18,646,044 | $ 721,486 | $ 19,367,530 | $ 18,125,219 | $ 754,874 | $ 18,880,093 |
| Capital assets, net | 69,044,358 | 1,803,997 | 70,848,355 | 71,314,642 | 1,824,936 | 73,139,578 |
| Long-term receivables | 23,031,503 | - | 23,031,503 | 24,371,503 | - | 24,371,503 |
| **Total Assets** | 110,721,905 | 2,525,483 | 113,247,388 | 113,811,364 | 2,579,810 | 116,391,174 |
| **Deferred Outflows of Resources** | 3,314,815 | - | 3,314,815 | 4,387,577 | - | 4,387,577 |
| Current liabilities | 5,117,270 | 175,286 | 5,292,556 | 5,013,048 | 168,549 | 5,181,597 |
| Long-term liabilities | 44,980,548 | 522,522 | 45,503,070 | 49,930,132 | 686,939 | 50,617,071 |
| **Total Liabilities** | 50,097,818 | 697,808 | 50,795,626 | 54,943,180 | 855,488 | 55,798,668 |
| **Deferred Inflows of Resources** | 734,483 | - | 734,483 | 317,632 | - | 317,632 |
| Net Position: | | | | | | |
| Net investment in capital assets | 51,061,357 | 1,121,475 | 52,182,832 | 52,718,444 | 982,997 | 53,701,441 |
| Restricted | 6,821,486 | - | 6,821,486 | 6,112,682 | - | 6,112,682 |
| Unrestricted | 5,321,576 | 706,200 | 6,027,776 | 4,107,003 | 741,325 | 4,848,328 |
| **Total Net Position** | $ 63,204,419 | $ 1,827,675 | $ 65,032,094 | $ 62,938,129 | $ 1,724,322 | $ 64,662,451 |

Current and other assets of governmental activities were $18,646,044 and $18,125,219 as of September 30, 2020 and September 30, 2019, respectively. The increase is primarily due to grant funds received from the CARES Act to support expenses pertained to the COVID-19 pandemic response increasing cash, in addition to some nonrecurring grant receivables. Long-term receivables were $23,031,503 and $24,371,503 as of September 30, 2020 and September 30, 2019, respectively. The decrease is due to the current year collection of the assessments, which is consistent with the PID assessment service plan. Current liabilities of governmental activities were $5,117,270 and $5,013,048 as of September 30, 2020 and September 30, 2019, respectively. The increase is primarily a result of the increase in the current portion of long term debt in the current year, and is consistent with the debt service schedules. Total long-term liabilities decreased by $4,949,584 or 10% due to principal payments made in the current year and the reduction in the net pension liability. Deferred outflows and inflows of resources experienced changes due to the market fluctuation and the changes in investment returns impacting pension liability balances.

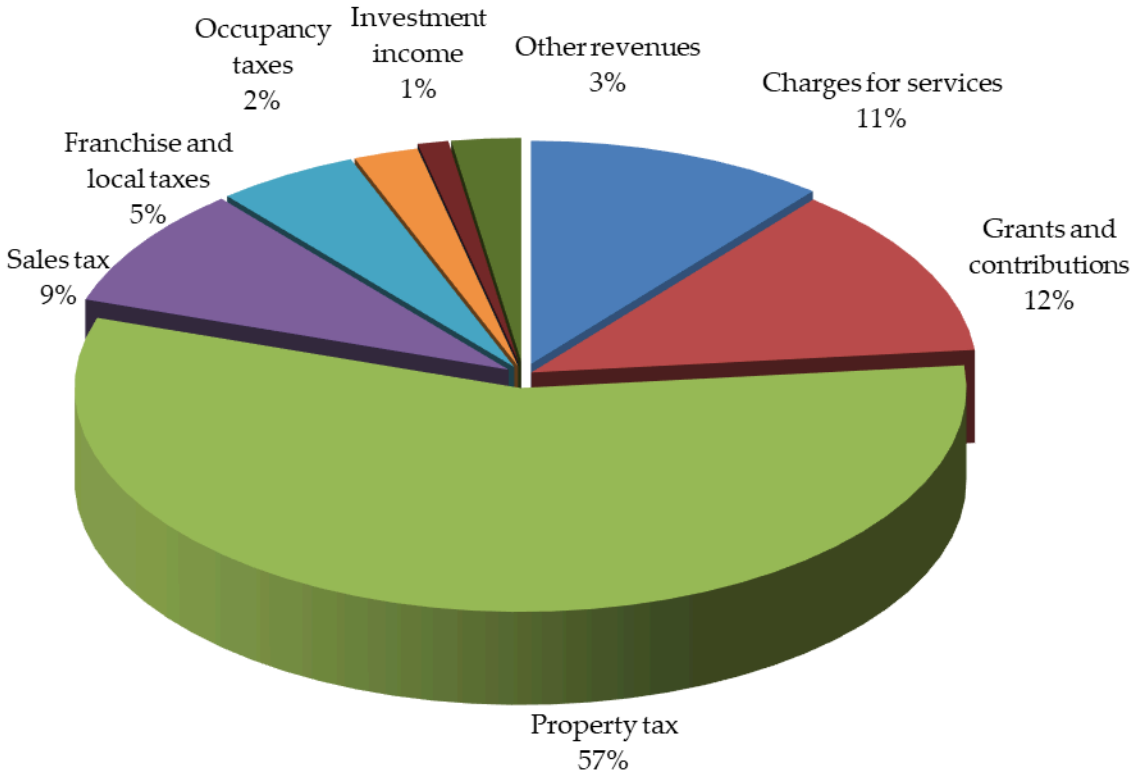
**Statement of Activities:**

The following table provides a summary of the Town's changes in net position:

| | For the Year Ended September 30, 2020 | | | For the Year Ended September 30, 2019 | | |
|---|---|---|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total Primary Government | Governmental Activities | Business-Type Activities | Total Primary Government |
| **Revenues** | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | $ 1,797,916 | $ 619,011 | $ 2,416,927 | $ 3,266,108 | $ 539,295 | $ 3,805,403 |
| Operating grants and contributions | 2,056,622 | - | 2,056,622 | 1,392,787 | - | 1,392,787 |
| Capital grants and contributions | - | 68,146 | 68,146 | 2,127,040 | 3,360 | 2,130,400 |
| General revenues: | | | | | | |
| Property tax | 9,347,776 | - | 9,347,776 | 8,974,426 | - | 8,974,426 |
| Sales tax | 1,445,994 | - | 1,445,994 | 1,271,864 | - | 1,271,864 |
| Franchise and local taxes | 850,543 | - | 850,543 | 911,738 | - | 911,738 |
| Occupancy taxes | 387,759 | - | 387,759 | 669,983 | - | 669,983 |
| Investment income | 183,858 | 2,711 | 186,569 | 512,922 | 11,818 | 524,740 |
| Other revenues | 414,384 | - | 414,384 | 235,107 | - | 235,107 |
| **Total Revenues** | 16,484,852 | 689,868 | 17,174,720 | 19,361,975 | 554,473 | 19,916,448 |
| **Expenses** | | | | | | |
| General government | 3,561,521 | - | 3,561,521 | 3,650,893 | - | 3,650,893 |
| Public safety | 5,139,151 | - | 5,139,151 | 5,109,461 | - | 5,109,461 |
| PID activities | 50,152 | - | 50,152 | 26,875 | - | 26,875 |
| Parks and recreation | 2,593,588 | - | 2,593,588 | 2,871,283 | - | 2,871,283 |
| Community development | 563,312 | - | 563,312 | 717,215 | - | 717,215 |
| Streets and infrastructure | 2,052,018 | - | 2,052,018 | 2,371,290 | - | 2,371,290 |
| Interest on long-term debt | 1,639,671 | - | 1,639,671 | 2,663,286 | - | 2,663,286 |
| Trophy Club Park | - | 229,670 | 229,670 | - | 122,186 | 122,186 |
| Storm drainage | - | 93,912 | 93,912 | - | 131,370 | 131,370 |
| **Total Expenses** | 15,599,413 | 323,582 | 15,922,995 | 17,410,303 | 253,556 | 17,663,859 |
| **Change in Net Position Before Transfers** | 885,439 | 366,286 | 1,251,725 | 1,951,672 | 300,917 | 2,252,589 |
| Transfers | 262,933 | (262,933) | - | 86,937 | (86,937) | - |
| Special item | (882,082) | - | (882,082) | - | - | - |
| **Total** | (619,149) | (262,933) | (882,082) | 86,937 | (86,937) | - |
| **Change in Net Position** | 266,290 | 103,353 | 369,643 | 2,038,609 | 213,980 | 2,252,589 |
| Beginning Net Position | 62,938,129 | 1,724,322 | 64,662,451 | 60,899,520 | 1,510,342 | 62,409,862 |
| **Ending Net Position** | $ 63,204,419 | $ 1,827,675 | $ 65,032,094 | $ 62,938,129 | $ 1,724,322 | $ 64,662,451 |

Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the Town's activities.

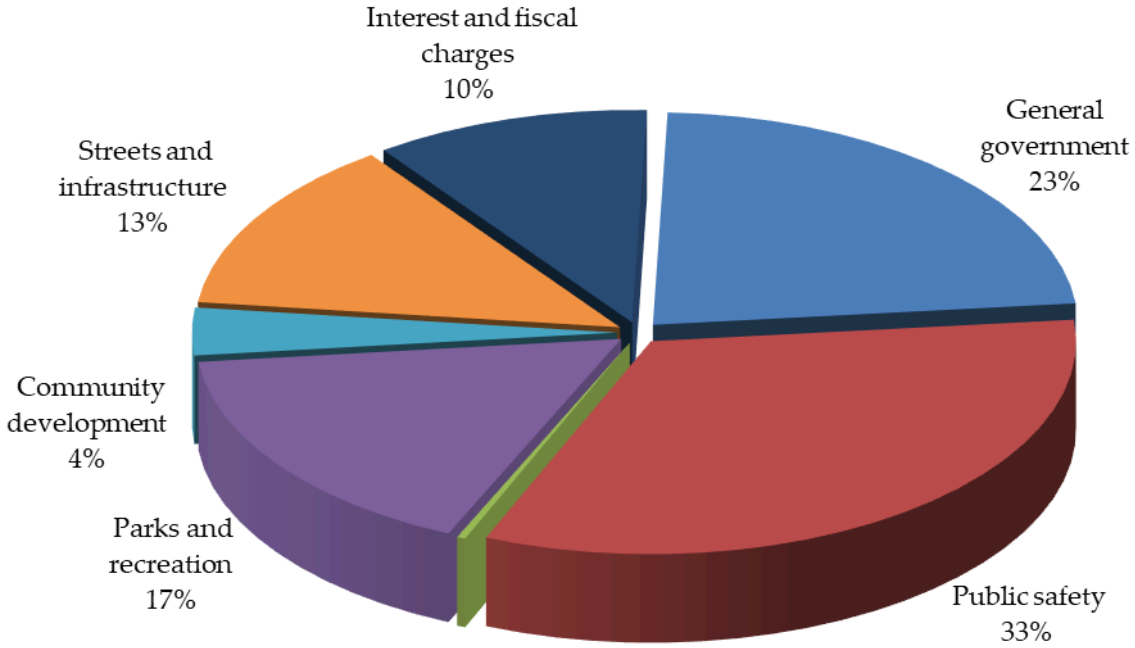
## Governmental Activities – Revenues




For the year ended September 30, 2020, revenues from governmental activities totaled $16,484,852. Property tax, grants and contributions, special assessments and sales tax are the Town's largest general revenue sources. Overall revenue increased $1,468,192 or 45% from the prior year. Charges for services decreased by $1,468,192 or 45% due primarily to a reduction in the amount PID special assessments received during the year, which is consistent with the PID's special assessment service schedule and service assessment plan, in addition to a reduction in fines and fees received compared to the prior year due to the impact of COVID-19. Operating grants and contributions increased by $663,835 or 48% primarily due to grants received from the CARES Act to support expenses pertained to the COVID-19 pandemic response. Capital grants and contributions decreased by $2,127,040 due to the nonrecurring capital contributions received in the previous year from TXDOT. Sales and tax increased by $174,130 or 14% primarily due to the added online sales caused by more residents staying in and shopping online as a result of the COVID-19 pandemic, in addition to the continued growth within the Town. Occupancy taxes decreased by $282,224 or 42% which is directly related to the impact of COVID-19 travel restrictions. Investment income decreased by $329,064 or 64% due to the impact of the market and realization of lower interest rates. Other revenues increased by $179,277 or 76%, primarily as a result of nonrecurring refunds received in the park land dedication fund and a settlement received in the park land dedication fund. All other revenues remained relatively stable when compared to the previous year.

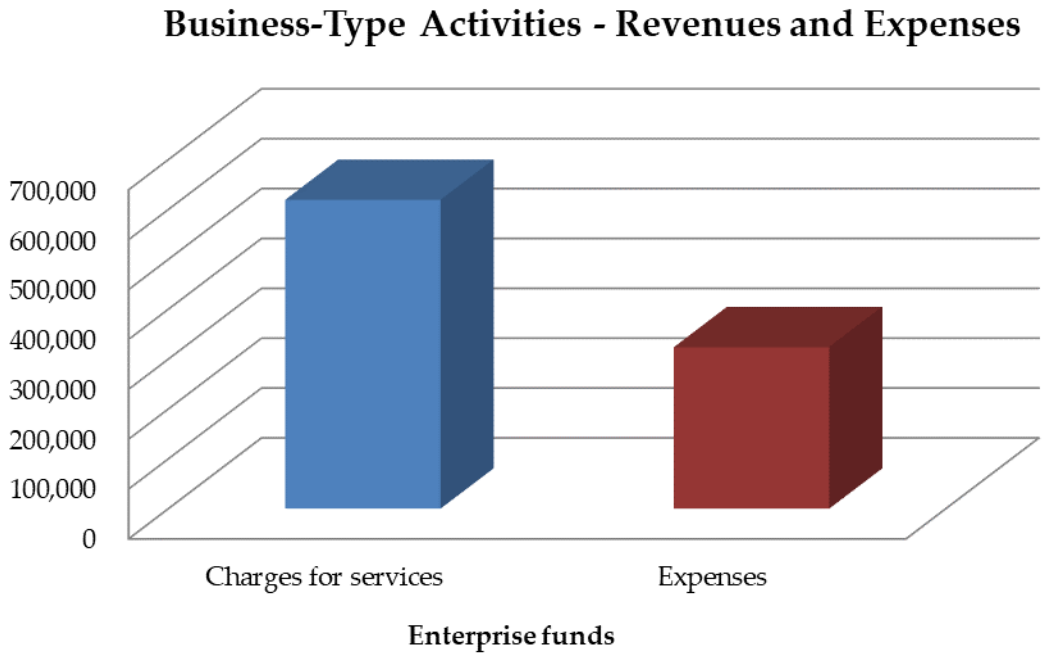
This graph shows the governmental function expenses of the Town:

## Governmental Activities – Expenses




For the year ended September 30, 2020, expenses for governmental activities totaled $15,599,413. This represents a decrease of $1,810,890 or 10% from the prior year. The Town's largest expense category is public safety, which totaled $5,139,151 at year-end. Parks and recreation expenses decreased by $277,695 or 10% primarily due to a reduction in nonrecurring non-capital park projects in the previous year. Community development expenses decreased by $153,903 or 21% due to a reduction in the amount of professional services provided when compared to the previous year. Streets and infrastructure expenses reduced by $319,272 or 13% due to a reduction in the current year depreciation expenses for street and infrastructure capital assets. Interest on long-term debt decreased by $1,023,615 or 38% which is consistent with the debt service schedule and is primarily due to the reduction in the interest portion of the debt service payment for the special assessment bond. All other expenses remained relatively consistent when compared to the previous year. During the current year, the town disposed of the old town hall, and any related assets, resulting in a loss on disposal of asset which the Town recognized as a special item in the amount of $882,082 in the current year.

Business-type activities are shown comparing operating costs to revenues generated by related services.




For the year ended September 30, 2020, charges for services by business-type activities totaled $619,011. This is an increase of $79,716 or 15% from the previous year. The increase was primarily due to the park being temporarily closed for a portion of the previous year for repairs and maintenance and after having been flooded. In addition, there was an increase of $64,786 in capital grants, which was a result of a new nonrecurring Texas Parks and Wildlife grant received in the current year.

Total business-type activity expenses increased by $70,026 or 28%. Most of the increase is attributed to the unanticipated expense of a reimbursement of past received grant funds that during the current year FEMA determined to have been paid to the Town in error.

**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds - The focus of the Town's governmental funds is to provide information of near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the year.

At September 30, 2020, the Town's governmental funds reported combined fund balances of $16,358,617, an increase of $851,580 in comparison with the prior year. Approximately 43% of this amount, $6,988,719, constitutes *unassigned fund balance,* which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable, restricted or*

*committed* to indicate that it is 1) not in spendable form $389,112 or 2) committed for particular purposes $174,654.

As of the end of the year the general fund reflected a total fund balance of $7,547,423. General fund balance increased by $1,724,168 during the current year. This increase can be attributed to greater than anticipated revenues, caused primarily to grant funds received to assist the Town in supporting expenses associated with the COVID-19 pandemic, in addition to expenditures being less than anticipated, primarily in community development and parks and recreation, caused by many programs in these departments not occurring due to the COVID-19 pandemic.

The debt service fund had an ending fund balance of $706,640 at September 30, 2020, an increase of $232,970 when compared to the previous year. The increase in the total fund balance was a result of transfers from other funds. During the year, the fund recorded total principal and interest payments of $2,355,930 and property tax revenue of $2,328,496.

The capital projects fund had an ending fund balance of $1,984,646. The capital projects fund decreased $1,583,426 when compared to the previous year. The decrease was a result of current year capital outlay expenditures exceeding interest income, which is consistent with that which was budgeted.

The PID No. 1 fund reflected an ending fund balance of $3,971,196. The fund balance decreased $992, which is a result of debt service expenditures exceeding property assessments and other revenues.

Proprietary Funds - The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position in the Town's largest proprietary fund, the Storm Drainage Utility fund, totaled $1,731,975. Unrestricted net position at the close of the fiscal year for the Town's utility funds amounted to $706,200, an increase of $35,125 over the previous year. Total investment in capital assets, net of related debt was $1,121,475, and capital assets, net of depreciation totaled $1,803,997.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Total budgeted revenues of $11,311,480 were less than actual revenues of $12,247,375, resulting in a positive revenue variance of $935,895. The positive variance was primarily the result of greater than expected revenues from property tax, sales tax, license and permits, and intergovernmental revenues. Total budgeted expenditures of $11,699,943 were greater than actual expenditures of $10,644,689, resulting in a positive expenditure variance of $1,055,254. The variance in total expenditures was primarily due to positive variances within the community development and parks and recreation departments.

## CAPITAL ASSETS

As of the end of the year, the Town's governmental activities funds had invested $69,044,358 in a variety of capital assets and infrastructure, net of accumulated depreciation. The Town's business-type activities funds had invested $1,803,997 in a variety of capital assets and infrastructure, net of accumulated depreciation. This investment in capital assets includes land, buildings, vehicles, machinery and equipment, storm drainage system, and infrastructure.

Major capital asset events during the current year include the following:

- Investments in Trophy Club Drive, Indian Creek, Phoenix Drive and Meadowbrook Lane totaling $1,599,123.
- Purchase of new vehicles for fire and police totaling $84,721.
- Purchase of new equipment for parks and recreation department totaling $219,274.
- Fence replacement at Trophy Club Park totaling $33,365.

More detailed information about the Town's capital assets is presented in note 4.C to the financial statements.

## LONG-TERM DEBT

The Town's outstanding general obligation bonds, certificate of obligation bonds, and special assessment bonds, net of all premiums and discounts decreased by $3,210,455 for governmental activities and $159,418 for business-type activities, from the prior year. The total bonds payable at the close of the fiscal year, net of premiums and discounts, was $46,651,927 for governmental-activities and $682,522 for business-type activities. Of this amount, $19,464,000 (excluding unamortized premium/discount) comprises of bonded debt backed by the full faith and credit of the Town, and the remaining represents bonds secured solely by self-supporting activities.

More detailed information about the Town's long-term liabilities is presented in note 4.E to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Town is approximately 90% residential, and 10% commercial, with both residential and commercial development substantially built out. The Town issued 50 residential construction permits in fiscal year 2020 and 1 commercial permit for a total of $27,396,468. The Town does not expect this trend to continue. The Town estimates only 50-60 additional residential permits will be pulled in the future and 3-5 large commercial permits.

PD-30 finished most commercial construction in fiscal year 2020 and the Aloft Hotel and the townhouses are to be completed in FY21. The large multi-family complex and a large development of retail along SH114 are completed. There are still 2-3 commercial buildings projected in the PD-30 area.

In fiscal year 2021, General Fund revenues are budgeted to increase 4.25% over fiscal year 2020 estimated revenues, while expenditures are budgeted to increase by 9.83% over fiscal year 2020 estimated expenditures. The larger changes are due to estimates and expenditure reductions during the COVID-19 pandemic.

The fiscal year 2021 budget maintained the ad valorem tax rate to $0.446442 per hundred dollars of assessed value.

## CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town of Trophy Club Finance Manager, 1 Trophy Wood Drive, Trophy Club, Texas, 76262. This information can also be accessed on the Town of Trophy Club's website at www.trophyclub.org.

# *BASIC FINANCIAL STATEMENTS*

# Town of Trophy Club, Texas

*STATEMENT OF NET POSITION (Page 1 of 2)*

**September 30, 2020**

| | Primary Government | | |
|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total |
| **Assets** | | | |
| Current assets: | | | |
| Cash and cash equivalents | $ 16,571,967 | $ 627,565 | $ 17,199,532 |
| Taxes receivable, net | 410,117 | - | 410,117 |
| Special assessments receivable - current | 1,340,000 | - | 1,340,000 |
| Receivables, net | 289,613 | 40,753 | 330,366 |
| Intergovernmental receivable | - | 50,271 | 50,271 |
| Due from other governments | 31,738 | - | 31,738 |
| Prepaid and other assets | 2,609 | 2,897 | 5,506 |
| **Total Current Assets** | 18,646,044 | 721,486 | 19,367,530 |
| Noncurrent assets: | | | |
| Capital assets: | | | |
| Non-depreciable | 10,478,676 | - | 10,478,676 |
| Net depreciable capital assets | 58,565,682 | 1,803,997 | 60,369,679 |
| Advances to component unit | 386,503 | - | 386,503 |
| Special assessments receivable - noncurrent | 22,645,000 | - | 22,645,000 |
| **Total Noncurrent Assets** | 92,075,861 | 1,803,997 | 93,879,858 |
| **Total Assets** | 110,721,905 | 2,525,483 | 113,247,388 |
| **Deferred Outflows of Resources** | | | |
| Pension contributions | 539,353 | - | 539,353 |
| OPEB contributions | 824 | - | 824 |
| OPEB experience | 34,332 | - | 34,332 |
| Deferred charge on refunding | 2,740,306 | - | 2,740,306 |
| **Total Deferred Outflows of Resources** | 3,314,815 | - | 3,314,815 |

| Component Units |
|---|
| |
| $ 469,490 |
| - |
| - |
| 156,600 |
| - |
| - |
| - |
| 626,090 |
| |
| |
| 2,538,765 |
| 335,252 |
| - |
| - |
| 2,874,017 |
| 3,500,107 |
| |
| - |
| - |
| - |
| - |
| - |

# Town of Trophy Club, Texas

*STATEMENT OF NET POSITION (Page 2 of 2)*

**September 30, 2020**

| | Primary Government | | |
|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total |
| **Liabilities** | | | |
| Current liabilities: | | | |
| Accounts payable | 562,749 | 13,422 | 576,171 |
| Accrued liabilities | 506,503 | - | 506,503 |
| Accrued interest payable | 328,628 | 1,864 | 330,492 |
| Compensated absences - current | 311,390 | - | 311,390 |
| Long-term debt due within one year | 3,408,000 | 160,000 | 3,568,000 |
| **Total Current Liabilities** | 5,117,270 | 175,286 | 5,292,556 |
| Noncurrent liabilities: | | | |
| Long-term debt due in more than one year | 43,243,927 | 522,522 | 43,766,449 |
| Compensated absences - noncurrent | 34,599 | - | 34,599 |
| OPEB liability | 311,242 | - | 311,242 |
| Net pension liability | 1,390,780 | - | 1,390,780 |
| Advances from primary government | - | - | - |
| **Total Noncurrent Liabilities** | 44,980,548 | 522,522 | 45,503,070 |
| **Total Liabilities** | 50,097,818 | 697,808 | 50,795,626 |
| **Deferred Inflows of Resources** | | | |
| Pension investment earnings | 609,044 | - | 609,044 |
| Pension experience | 115,038 | - | 115,038 |
| Pension changes in assumptions | 550 | - | 550 |
| OPEB assumption changes | 9,851 | - | 9,851 |
| **Total Deferred Inflows of Resources** | 734,483 | - | 734,483 |
| **Net Position** | | | |
| Net investment in capital assets | 51,061,357 | 1,121,475 | 52,182,832 |
| Restricted for: | | | |
| Municipal court | 32,838 | - | 32,838 |
| Debt service | 706,640 | - | 706,640 |
| Public safety | 9,886 | - | 9,886 |
| PID Activities | 3,971,196 | - | 3,971,196 |
| Street maintenance | 184,556 | - | 184,556 |
| Tourism | 1,530,643 | - | 1,530,643 |
| Parks | 385,727 | - | 385,727 |
| Unrestricted | 5,321,576 | 706,200 | 6,027,776 |
| **Total Net Position** | $ 63,204,419 | $ 1,827,675 | $ 65,032,094 |

See Notes to Financial Statements.

| Component Units |
|---|
| 5,882 |
| - |
| 8,402 |
| - |
| 110,000 |
| 124,284 |
| 2,045,124 |
| - |
| - |
| - |
| 386,503 |
| 2,431,627 |
| 2,555,911 |
| - |
| - |
| - |
| - |
| 718,893 |
| - |
| - |
| 222,811 |
| - |
| - |
| - |
| - |
| 2,492 |
| $ 944,196 |

# Town of Trophy Club, Texas

*STATEMENT OF ACTIVITIES (Page 1 of 2)*

**For the Year Ended September 30, 2020**

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions |
|---|---|---|---|---|
| **Primary Government** | | | | |
| **Governmental Activities** | | | | |
| General government | $ 746,961 | $ 479,513 | $ 799,938 | $ - |
| Manager's office | 708,646 | - | - | - |
| Human resources | 423,299 | | - | - |
| Finance | 607,160 | - | - | - |
| Information services | 636,688 | - | - | - |
| Legal | 102,606 | - | - | - |
| Court | 79,609 | 128,925 | - | - |
| Police | 2,556,947 | - | 743,066 | - |
| Fire | 1,221,699 | - | 513,618 | - |
| Emergency medical services | 1,280,896 | 277,313 | - | - |
| Facilities management | 336,161 | - | - | - |
| Parks | 2,593,588 | - | - | - |
| Community development | 498,920 | - | - | - |
| Tourism | 64,392 | - | - | - |
| Streets and infrastructure | 2,052,018 | - | - | - |
| PID Activities | 50,152 | 912,165 | - | - |
| Interest on long-term debt | 1,639,671 | - | - | - |
| **Total Governmental Activities** | 15,599,413 | 1,797,916 | 2,056,622 | - |
| **Business-Type Activities** | | | | |
| Trophy Club Park | 229,670 | 188,708 | - | 68,146 |
| Storm drainage utility | 93,912 | 430,303 | - | - |
| **Total Business-Type Activities** | 323,582 | 619,011 | - | 68,146 |
| **Total Primary Government** | $ 15,922,995 | $ 2,416,927 | $ 2,056,622 | 68,146 |

See Notes to Financial Statements.

| Net (Expense) Revenue and Changes in Net Position | | | |
|---|---|---|---|
| Primary Government | | | |
| Governmental Activities | Business-Type Activities | Total | Component Units |
| $ 532,490 | $ - | $ 532,490 | $ - |
| (708,646) | - | (708,646) | - |
| (423,299) | - | (423,299) | - |
| (607,160) | - | (607,160) | - |
| (636,688) | - | (636,688) | - |
| (102,606) | - | (102,606) | - |
| 49,316 | - | 49,316 | - |
| (1,813,881) | - | (1,813,881) | - |
| (708,081) | - | (708,081) | - |
| (1,003,583) | - | (1,003,583) | - |
| (336,161) | - | (336,161) | - |
| (2,593,588) | - | (2,593,588) | - |
| (498,920) | - | (498,920) | - |
| (64,392) | - | (64,392) | - |
| (2,052,018) | - | (2,052,018) | - |
| 862,013 | - | 862,013 | - |
| (1,639,671) | - | (1,639,671) | - |
| (11,744,875) | - | (11,744,875) | - |
| - | 27,184 | 27,184 | - |
| - | 336,391 | 336,391 | - |
| - | 363,575 | 363,575 | - |
| (11,744,875) | 363,575 | (11,381,300) | - |

# Town of Trophy Club, Texas

*STATEMENT OF ACTIVITIES (Page 2 of 2)*

**For the Year Ended September 30, 2020**

| | | Program Revenues | | |
|---|---|---|---|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| **Component Units** | | | | |
| 4B Economic Development Corporation | 171,811 | - | - | - |
| Tax Increment Reinvestment Zone #1 | 13,411 | - | - | - |
| Crime Control and Prevention | 200,994 | - | 5,669 | - |
| **Total Component Units** | $ 386,216 | $ - | $ 5,669 | $ - |

**General Revenues:**

Taxes

Property taxes

Sales and mixed beverage taxes

Franchise and local taxes

Occupancy tax

Other revenues

Investment income

**Transfers**

**Special item - asset disposal**

**Total General Revenues and Transfers**

**Change in Net Position**

Beginning Net Position

**Ending Net Position**

See Notes to Financial Statements.

| Net (Expense) Revenue and Changes in Net Position | | | |
|---|---|---|---|
| Primary Government | | | |
| Governmental Activities | Business-Type Activities | Total | Component Units |
| | | | (171,811) |
| | | | (13,411) |
| | | | (195,325) |
| | | | (380,547) |
| 9,347,776 | - | 9,347,776 | 129,579 |
| 1,445,994 | - | 1,445,994 | 911,951 |
| 850,543 | - | 850,543 | - |
| 387,759 | - | 387,759 | - |
| 414,384 | - | 414,384 | 67,306 |
| 183,858 | 2,711 | 186,569 | - |
| 262,933 | (262,933) | - | - |
| (882,082) | - | (882,082) | - |
| 12,011,165 | (260,222) | 11,750,943 | 1,108,836 |
| 266,290 | 103,353 | 369,643 | 728,289 |
| 62,938,129 | 1,724,322 | 64,662,451 | 215,907 |
| $ 63,204,419 | $ 1,827,675 | $ 65,032,094 | $ 944,196 |

# Town of Trophy Club, Texas

*BALANCE SHEET*

*GOVERNMENTAL FUNDS*

**September 30, 2020**

| | General | Debt Service | Capital Projects | PID No. 1 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | $ 7,613,333 | $ 706,054 | $ 2,194,239 | $ 3,971,196 |
| Taxes receivable, net | 318,051 | 19,181 | - | - |
| Special assessments receivable | - | - | - | 23,985,000 |
| Accounts receivable, net | 289,613 | - | - | - |
| Due from other governments | 31,738 | - | - | - |
| Due from other funds | - | - | - | - |
| Prepaid and other assets | 2,609 | - | - | - |
| Advances to component units | 386,503 | - | - | - |
| **Total Assets** | $ 8,641,847 | $ 725,235 | $ 2,194,239 | $ 27,956,196 |
| **Liabilities** | | | | |
| Accounts payable | $ 341,838 | $ - | $ 209,593 | $ - |
| Accrued liabilities | 506,503 | - | - | - |
| **Total Liabilities** | 848,341 | - | 209,593 | - |
| **Deferred Inflows of Resources** | | | | |
| Unavailable revenue - property taxes | 62,671 | 18,595 | - | - |
| Unavailable revenue - fines and forfeitures | 25,509 | - | - | - |
| Unavailable revenue - emergency medical services | 132,586 | - | - | - |
| Unavailable revenue - special assessments | - | - | - | 23,985,000 |
| Unavailable revenue - property liens | 25,317 | - | - | - |
| **Total Deferred Inflows of Resources** | 246,083 | 18,595 | - | 23,985,000 |
| **Fund Balances** | | | | |
| Nonspendable: | | | | |
| Prepaid items | 2,609 | - | - | - |
| Advances to component unit | 386,503 | - | - | - |
| Restricted for: | | | | |
| Debt service | - | 706,640 | - | - |
| Capital projects | - | - | 1,984,646 | - |
| Municipal court | - | - | - | - |
| Public safety | - | - | - | - |
| Street maintenance | - | - | - | - |
| Tourism | - | - | - | - |
| Parks | - | - | - | - |
| PID Activities | - | - | - | 3,971,196 |
| Committed for: | | | | |
| Police | 169,592 | - | - | - |
| Recreation programs | - | - | - | - |
| Unassigned | 6,988,719 | - | - | - |
| **Total Fund Balances** | 7,547,423 | 706,640 | 1,984,646 | 3,971,196 |
| **Total Liabilities, Deferred Inflows of Resources, and Fund Balances** | $ 8,641,847 | $ 725,235 | $ 2,194,239 | $ 27,956,196 |

See Notes to Financial Statements.

| Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|
| $ 2,087,145 | $ 16,571,967 |
| 72,885 | 410,117 |
| - | 23,985,000 |
| - | 289,613 |
| - | 31,738 |
| - | - |
| - | 2,609 |
| - | 386,503 |
| $ 2,160,030 | $ 41,677,547 |
| | |
| $ 11,318 | $ 562,749 |
| - | 506,503 |
| 11,318 | 1,069,252 |
| | |
| - | 81,266 |
| - | 25,509 |
| - | 132,586 |
| - | 23,985,000 |
| - | 25,317 |
| - | 24,249,678 |
| | |
| | |
| - | 2,609 |
| - | 386,503 |
| | |
| - | 706,640 |
| - | 1,984,646 |
| 32,838 | 32,838 |
| 9,886 | 9,886 |
| 184,556 | 184,556 |
| 1,530,643 | 1,530,643 |
| 385,727 | 385,727 |
| - | 3,971,196 |
| | |
| - | 169,592 |
| 5,062 | 5,062 |
| - | 6,988,719 |
| 2,148,712 | 16,358,617 |
| | |
| $ 2,160,030 | $ 41,677,547 |

TOWN OF
TROPHY CLUB

# Town of Trophy Club, Texas

## *RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION*
## *GOVERNMENTAL FUNDS*

**September 30, 2020**

| | | |
|---|---|---|
| **Fund Balances - Total Governmental Funds** | $ | 16,358,617 |
| **Adjustments for the Statement of Net Position:** | | |
| Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds. | | |
| Capital assets - non-depreciable | | 10,478,676 |
| Capital assets - net depreciable | | 58,565,682 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds. | | 24,249,678 |
| Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time | | |
| Pension experience | | (115,038) |
| Pension changes in assumptions | | (550) |
| Pension investment earnings | | (609,044) |
| OPEB changes in assumptions | | (9,851) |
| Deferred outflows of resources, represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense/ expenditures) until then | | |
| Pension contributions | | 539,353 |
| OPEB experience | | 34,332 |
| OPEB contributions | | 824 |
| Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds. | | |
| Accrued interest | | (328,628) |
| Deferred charges on bond refunding | | 2,740,306 |
| Bond premium | | (3,872,927) |
| Net pension liability | | (1,390,780) |
| OPEB liability | | (311,242) |
| Compensated absences | | (345,989) |
| Non-current liabilities due in one year | | (3,408,000) |
| Non-current liabilities due in more than one year | | (39,371,000) |
| **Net Position of Governmental Activities** | $ | 63,204,419 |

# Town of Trophy Club, Texas

*STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE*

*GOVERNMENTAL FUNDS (Page 1 of 2)*

**For the Year Ended September 30, 2020**

| | General | Debt Service | Capital Projects |
|---|---|---|---|
| **Revenues** | | | |
| Property tax | $ 7,031,351 | $ 2,328,496 | $ - |
| Sales and mixed beverage taxes | 1,158,083 | - | - |
| Franchise and local taxes | 850,543 | - | - |
| Occupancy tax | - | - | - |
| Special assessments | - | - | - |
| License and permits | 479,513 | - | - |
| Intergovernmental | 2,005,341 | 51,281 | - |
| Charges for services | 292,490 | - | - |
| Fines and forfeitures | 128,166 | - | - |
| Investment income | 75,137 | 9,664 | 44,234 |
| Other revenue | 226,751 | - | - |
| **Total Revenues** | 12,247,375 | 2,389,441 | 44,234 |
| **Expenditures** | | | |
| Current: | | | |
| General government | - | - | 6,212 |
| Manager's office | 682,231 | - | - |
| Human resources | 428,851 | - | - |
| Finance | 601,249 | - | - |
| Information services | 621,055 | - | - |
| Legal | 102,606 | - | - |
| Court | 77,456 | - | - |
| Police | 2,500,524 | - | - |
| Fire | 1,256,964 | - | - |
| Emergency medical services | 1,219,728 | - | - |
| Facilities management | 336,161 | - | - |
| Parks | 2,041,863 | - | |
| Community development | 491,941 | - | - |
| Tourism | - | - | - |
| Streets | 192,608 | - | - |
| PID activities | - | - | - |
| Debt Service: | | | |
| Principal | 88,205 | 1,718,000 | - |
| Interest and fiscal charges | 3,247 | 637,930 | - |
| Bond issuance costs | - | 67,636 | |
| Capital outlay | - | - | 1,621,448 |
| **Total Expenditures** | 10,644,689 | 2,423,566 | 1,627,660 |
| **Excess (Deficiency) of Revenues Over (Under) Expenditures** | 1,602,686 | (34,125) | (1,583,426) |

| PID No. 1 | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|
| $ - | $ - | $ 9,359,847 |
| - | 287,911 | 1,445,994 |
| - | - | 850,543 |
| - | 387,759 | 387,759 |
| 2,187,165 | - | 2,187,165 |
| - | - | 479,513 |
| - | - | 2,056,622 |
| - | 4,457 | 296,947 |
| - | 4,711 | 132,877 |
| 42,568 | 12,255 | 183,858 |
| - | 159,864 | 386,615 |
| 2,229,733 | 856,957 | 17,767,740 |
| | | |
| - | - | 6,212 |
| - | - | 682,231 |
| - | - | 428,851 |
| - | - | 601,249 |
| - | - | 621,055 |
| - | - | 102,606 |
| - | 409 | 77,865 |
| - | - | 2,500,524 |
| - | - | 1,256,964 |
| - | - | 1,219,728 |
| - | - | 336,161 |
| - | 2,424 | 2,044,287 |
| - | - | 491,941 |
| - | 64,385 | 64,385 |
| - | 195,811 | 388,419 |
| 50,152 | - | 50,152 |
| | | |
| 1,275,000 | - | 3,081,205 |
| 905,573 | - | 1,546,750 |
| - | - | 67,636 |
| - | 113,568 | 1,735,016 |
| 2,230,725 | 376,597 | 17,303,237 |
| | | |
| (992) | 480,360 | 464,503 |

# Town of Trophy Club, Texas

*STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE*
*GOVERNMENTAL FUNDS (Page 2 of 2)*
**For the Year Ended September 30, 2020**

| | General | Debt Service | Capital Projects |
|---|---|---|---|
| **Other Financing Sources (Uses)** | | | |
| Transfers in | 61,500 | 202,933 | - |
| Transfers (out) | - | - | - |
| Refunding bonds issued | - | 3,550,000 | - |
| Payment to refunding bond escrow agent | - | (3,485,838) | - |
| Sale of general capital assets | 32,213 | - | - |
| Insurance recoveries | 27,769 | - | - |
| **Total Other Financing Sources (Uses)** | 121,482 | 267,095 | - |
| **Net Change in Fund Balances** | 1,724,168 | 232,970 | (1,583,426) |
| Beginning fund balances | 5,823,255 | 473,670 | 3,568,072 |
| **Ending Fund Balances** | $ 7,547,423 | $ 706,640 | $ 1,984,646 |

See Notes to Financial Statements.

| PID No. 1 | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|
| - | - | 264,433 |
| - | (1,500) | (1,500) |
| - | - | 3,550,000 |
| - | - | (3,485,838) |
| - | - | 32,213 |
| - | - | 27,769 |
| - | (1,500) | 387,077 |
| (992) | 478,860 | 851,580 |
| 3,972,188 | 1,669,852 | 15,507,037 |
| $ 3,971,196 | $ 2,148,712 | $ 16,358,617 |

TOWN OF
TROPHY CLUB

# Town of Trophy Club, Texas

## *RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES*

**For the Year Ended September 30, 2020**

| | | |
|---|---|---|
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Net changes in fund balances - total governmental funds | $ | 851,580 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. | | |
| Capital outlay | | 2,048,348 |
| Depreciation expense | | (3,404,337) |
| Carrying value of capital assets disposed | | (914,295) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | (1,310,657) |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | | |
| Compensated absences | | (40,704) |
| Accrued interest | | (100,893) |
| Pension expense | | 80,987 |
| OPEB expense | | (36,390) |
| The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | | |
| Amortization of deferred loss on refunding | | (206,009) |
| Amortization of premium | | 287,455 |
| Principal payments on long-term debt | | 3,081,205 |
| Current year debt refunding | | 3,480,000 |
| Bond issuance | | (3,550,000) |
| **Change in Net Position of Governmental Activities** | $ | 266,290 |

See Notes to Financial Statements.

# Town of Trophy Club, Texas

*STATEMENT OF NET POSITION*

*PROPRIETARY FUNDS*

**September 30, 2020**

| | Trophy Club Park | Storm Drainage Utility | Total |
|---|---|---|---|
| **Assets** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | $ 13,079 | $ 614,486 | $ 627,565 |
| Accounts receivable | - | 40,753 | 40,753 |
| Intergovernmental receivable | 50,271 | - | 50,271 |
| Prepaid items | 2,897 | - | 2,897 |
| **Total Current Assets** | 66,247 | 655,239 | 721,486 |
| **Noncurrent Assets** | | | |
| Capital assets: | | | |
| Net depreciable capital assets | 42,875 | 1,761,122 | 1,803,997 |
| **Total Noncurrent Assets** | 42,875 | 1,761,122 | 1,803,997 |
| **Total Assets** | 109,122 | 2,416,361 | 2,525,483 |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Accounts payable | $ 13,422 | $ - | $ 13,422 |
| Accrued interest | - | 1,864 | 1,864 |
| Long-term debt due within one year | - | 160,000 | 160,000 |
| **Total Current Liabilities** | 13,422 | 161,864 | 175,286 |
| **Noncurrent Liabilities** | | | |
| Long-term debt due in more than one year | - | 522,522 | 522,522 |
| **Total Liabilities** | 13,422 | 684,386 | 697,808 |
| **Net Position** | | | |
| Net investment in capital assets | 42,875 | 1,078,600 | 1,121,475 |
| Unrestricted | 52,825 | 653,375 | 706,200 |
| **Total Net Position** | $ 95,700 | $ 1,731,975 | $ 1,827,675 |

See Notes to Financial Statements.

# Town of Trophy Club, Texas

## *STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION*
## *PROPRIETARY FUNDS*
### For the Year Ended September 30, 2020

| | Trophy Club Park | Storm Drainage Utility | Total |
|---|---|---|---|
| **Operating Revenues** | | | |
| Charges for services | $ 188,708 | $ 430,303 | $ 619,011 |
| Intergovernmental revenues | 68,146 | - | 68,146 |
| **Total Operating Revenues** | 256,854 | 430,303 | 687,157 |
| **Operating Expenses** | | | |
| Salaries and benefits | 44,572 | - | 44,572 |
| Supplies and materials | 13,121 | - | 13,121 |
| Repairs and maintenance | 63,108 | - | 63,108 |
| Utilities | 9,631 | 13,024 | 22,655 |
| Other operating expenses | 96,017 | 34,224 | 130,241 |
| Depreciation | 3,221 | 51,083 | 54,304 |
| **Total Operating Expenses** | 229,670 | 98,331 | 328,001 |
| **Operating Income (Loss)** | 27,184 | 331,972 | 359,156 |
| **Nonoperating Revenues (Expenses)** | | | |
| Investment income | - | 2,711 | 2,711 |
| Interest and fiscal expense | - | 4,419 | 4,419 |
| **Total Nonoperating Revenues (Expenses)** | - | 7,130 | 7,130 |
| **Income Before Capital Contributions and Transfers** | 27,184 | 339,102 | 366,286 |
| **Capital Contributions and Transfers** | | | |
| Transfers (out) | (20,000) | (242,933) | (262,933) |
| **Total Capital Contributions and Transfers** | (20,000) | (242,933) | (262,933) |
| **Change in Net Position** | 7,184 | 96,169 | 103,353 |
| Beginning net position | 88,516 | 1,635,806 | 1,724,322 |
| **Ending Net Position** | $ 95,700 | $ 1,731,975 | $ 1,827,675 |

See Notes to Financial Statements.

# Town of Trophy Club, Texas

*STATEMENT OF CASH FLOWS*

*PROPRIETARY FUNDS (Page 1 of 2)*

**For the Year Ended September 30, 2020**

| | Trophy Club Park | Storm Drainage Utility | Total |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Payments to employees | $ (44,572) | $ - | $ (44,572) |
| Payments to suppliers | (101,792) | (50,474) | (152,266) |
| Receipts from customers | 206,583 | 425,155 | 631,738 |
| **Net Cash Provided (Used) by Operating Activities** | 60,219 | 374,681 | 434,900 |
| **Cash Flows from Noncapital Financing Activities** | | | |
| Transfers (out) | (20,000) | (242,933) | (262,933) |
| **Net Cash Provided (Used) by Noncapital Financing Activities** | (20,000) | (242,933) | (262,933) |
| **Cash Flows from Capital and Related Financing Activities** | | | |
| Acquisition and construction of capital assets | (33,365) | - | (33,365) |
| Interest paid on capital debt | - | 5 | 5 |
| Principal paid on capital debt | - | (155,000) | (155,000) |
| **Net Cash Provided (Used) by Capital and Related Financing Activities** | (33,365) | (154,995) | (188,360) |
| **Cash Flows from Investing Activities** | | | |
| Interest on investments | - | 2,711 | 2,711 |
| **Net Cash Provided by Investing Activities** | - | 2,711 | 2,711 |
| **Net Increase (Decrease) in Cash and Cash Equivalents** | 6,854 | (20,536) | (13,682) |
| Beginning cash and cash equivalents | 6,225 | 635,022 | 641,247 |
| **Ending Cash and Cash Equivalents** | $ 13,079 | $ 614,486 | $ 627,565 |

See Notes to Financial Statements.

# Town of Trophy Club, Texas

*STATEMENT OF CASH FLOWS*

*PROPRIETARY FUNDS (Page 2 of 2)*

**For the Year Ended September 30, 2020**

| | Trophy Club Park | Storm Drainage Utility | Total |
|---|---|---|---|
| **Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities** | | | |
| Operating Income (Loss) | $ 27,184 | $ 331,972 | $ 359,156 |
| Adjustments to reconcile operating income (loss) to net cash provided (used): | | | |
| Depreciation | 3,221 | 51,083 | 54,304 |
| **Changes in Operating Assets and Liabilities:** | | | |
| **(Increase) Decrease in:** | | | |
| Accounts receivable | (50,271) | (5,148) | (55,419) |
| Prepaid | (1,447) | - | (1,447) |
| **Increase (Decrease) in:** | | | |
| Accounts payable | 4,960 | (3,226) | 1,734 |
| Due from other funds | 76,572 | - | 76,572 |
| **Net Cash Provided (Used) by Operating Activities** | $ 60,219 | $ 374,681 | $ 434,900 |

See Notes to Financial Statements.

TOWN OF
TROPHY CLUB

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Trophy Club (the "Town") is a "home rule town" incorporated in 1985. The Town operates under a Council-Manager form of government and provides the following services as authorized by its charter: council, public safety (police and emergency medical services), parks, public works (public improvements, streets, planning and zoning), and general administrative services.

The accounting and reporting policies of the Town relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally Accepted Accounting Principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB). The more significant accounting policies of the Town are described below.

### A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

### B. Financial Reporting Entity

The Town of Trophy Club is a municipal corporation governed by an elected mayor and a six-member council. The accompanying financial statements present the government and its component units, entities for which the government is considered financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the government.

As required by accounting principles generally accepted in the United States of America, these financial statements include the primary government and organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Some organizations are included as component units because of their fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval by the primary government.

**Discretely Presented Component Units**

4B Economic Development Corporation

The 4B Economic Development Corporation ("4B") serves all citizens of the Town and is governed by a board appointed by the Town's elected council. The Town can impose its will on the 4B and affect the day-to-day operations of the 4B by removing appointed board members at will. The scope of public service of the 4B benefits the Town and its citizens and is operated within the geographic boundaries of the Town. Since the 4B's governing body is not substantively the same as the governing body of the primary government, does not provide services entirely, or almost entirely to the primary government, nor does it maintain debt of any type that are repaid using Town resources, it has been reported as a discretely presented component unit.

Tax Increment Reinvestment Zone #1

The Tax Increment Reinvestment Zone #1 ("TIRZ #1") serves all citizens of the Town and is governed by a board appointed by the Town's elected council. The Town can impose its will on the TIRZ #1 and affect the day-to-day operations of the TIRZ #1 by removing appointed board members at will. The scope of public service of the TIRZ #1 benefits the Town and its citizens and is operated within the geographic boundaries of the Town. Since the TIRZ's governing body is not substantively the same as the governing body of the primary

government, does not provide services entirely, or almost entirely to the primary government, nor does it maintain debt of any type that are repaid using Town resources, it has been reported as a discretely presented component unit.

Crime Control and Prevention District

The Crime Control and Prevention District ("CCPD") was formed under Chapter 363 of the Texas Local Government Code, the Crime Control and Prevention Act. The CCPD is organized exclusively to act on behalf of the Town to finance crime control within the Town. The CCPD is governed by a seven member board appointed by the Town Council. The annual budget and issuance of debt must be approved by the Town Council. Since the CCPD's governing body is not substantively the same as the governing body of the primary government, does not provide services entirely, or almost entirely to the primary government, nor does it maintain debt of any type that are repaid using Town resources, it has been reported as a discretely presented component unit.

Separate financial statements for the individual component units are not prepared.

**C. Basis of Presentation - Government-Wide and Fund Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and the proprietary funds.

As discussed earlier, the government has three discretely presented component units which are shown in separate columns in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The fund financial statements provide information about the government's funds, including its blended component units. Separate statements for each fund category; governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

**Governmental Funds**

Governmental funds are those funds through which most governmental functions are typically financed. The government reports the following major governmental funds:

**General Fund**

The General Fund is the main operating fund of the Town. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

**Debt Service Fund**

The Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on long-term debt paid primarily from taxes levied by the Town. The fund balance of the Debt Service Fund is restricted to signify the amounts that are restricted exclusively for debt service expenditures.

**Capital Projects Fund**

The Capital Projects Fund is used to account for funds received and expended for acquisition and construction of infrastructure and other capital assets.

**Public Improvement District (PID) No. 1**

This fund accounts for bond proceeds, assessments and related debt associated with the issuance of bonds issued by the Town for the Public Improvement District.

**Proprietary Fund Types**

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating expenses include costs of materials, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund types follow GAAP prescribed by the Governmental Accounting Standards Board (GASB) and all Financial Accounting Standards Board's standards issued prior to November 30, 1989. Subsequent to this date, the Town

accounts for its enterprise funds as presented by GASB. The proprietary fund types used by the Town include enterprise funds.

The government reports the following major proprietary funds:

**Trophy Club Park Fund**

The Trophy Club park fund is utilized to account for funds received and expended for the maintenance of park land.

**Storm Drainage Utility Fund**

The storm drainage fund accounts for the storm drainage utility fee designated for the maintenance of the Town's storm drainage system.

Additionally, the Town reports for the following Non-major governmental funds:

**Hotel Occupancy Tax Fund**

This fund is used to account for local hotel and motel occupancy tax receipts, as well as expenses (events).

**Street Maintenance Sales Tax Fund**

Accounts for sales taxes specifically restricted for street improvements.

**Court Technology Fund**

Accounts for court fees specifically restricted for court technology expenses.

**Court Security Fund**

Accounts for court fees specifically restricted for court security expenses.

**Recreation Programs Fund**

Accounts for revenues and expenditures associated with recreational programs.

**Park Land Dedication Fund**

This fund is used to account for park revenues received by and expended by the Town.

**Grant Fund**

This fund is used to account for grant monies received by and expended by the Town.

**D. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources.* The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary, pension and other postemployment benefit trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Agency funds have no measurement focus but utilize the *accrual basis of accounting* for reporting its assets and liabilities.

**E. Assets, Liabilities, Deferred Outflows/Inflows, and Fund Equity or Net Position**

**1. Deposits and Investments**

The Town's cash and cash equivalents includes cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Because the Town, at its option, can withdraw funds within a twenty-four hour period from TexPool and Texas Class, these investments are considered to be cash equivalents.

State statutes authorize the Town to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States; (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (5) certificates of deposit by state and national banks domiciled in this state that are (A) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (B) secured by obligations that are described by (1) – (4); or, (6) fully collateralized direct repurchase agreements having a defined termination date, secured by obligations described by (1), pledged with third party selected or approved by the Town, and placed through a primary government securities dealer. The Town's investments are governed by the same state statutes.

All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

**2. Fair Value**

The Town has applied Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

**3. Receivables and Interfund Transactions**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current

portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as "due to/from component unit/primary government." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a nonspendable fund balance account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

**4. Inventories and Prepaid Items**

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventory is carried at historical cost using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

**5. Restricted Assets**

Certain proceeds of governmental and enterprise fund cash and investments are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants, legal restrictions, or restrictions in place by outside parties.

**6. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government, as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession are recorded at acquisition value on the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful years.

| | |
|---|---|
| Buildings | 30 Years |
| Improvements other than buildings | 10-30 Years |
| Improvements other than buildings (streets) | 30 Years |
| Machinery and equipment | 7-15 Years |
| Vehicles | 5-10 Years |
| Water system | 25 Years |
| Infrastructure (storm drainage system) | 40 Years |

**7. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows / inflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government only has three items that qualify for reporting in this category. One example is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results form the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, fines and forfeitures and ambulance fees. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources can also occur at the government wide level due to differences between investment gains and losses realized on pension investments compared to assumption used within the pension actuarial valuation model.

**8. Accumulated Vacation, Compensated Time and Sick Leave**

It is the Town's policy to permit employees to accumulate earned but unused vacation pay benefits. No liability is reported for unpaid accumulated sick leave. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they are expected to be liquidated with expendable available financial resources, for example, as a result of employee resignations and retirements.

**9. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed when incurred.

The net pension liability is included within long term debt. This liability is valued using an actuarial model and represents the difference between the plan fiduciary net position and the net pension liability consistent with GASB statement no. 68. The portion of this liability presented as a current liability is based on actuarial calculations for estimated future payments of benefits and refunds over the twelve months following yearend.

**10. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**11. Other Postemployment Benefits ("OPEB")**

The Town has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the individual employers (TMRS cities) in the TMRS Supplemental Death Benefits (SDB) plan, with retiree coverage. The TMRS SDB covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) and as such the SDB is considered to be an unfunded OPEB plan. For purposes of reporting under GASB No. 75, the retiree portion of the SDB is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary, calculated based on the employee's actual earnings on which TMRS deposits are made, for the 12-month period preceding the month of death. The death benefit amount for retirees is $7,500. GASB No. 75 requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

In addition to the contributions made to TMRS, the Town provides post-employment medical, dental, and vision benefits for eligible retirees, their spouses and dependents through a single-employer plan with United Healthcare, which covers both active and retired members. Regular full-time employees retiring from the Town have the option to continue medical insurance coverage until the retiree becomes eligible for Medicare or is eligible to be covered under another medical plan.

**12. Net Position Flow Assumption**

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**13. Fund Balance Flow Assumption**

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to

consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

**14. Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (Council) has by resolution authorized the Director of Administrative and Financial Services to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment. The general fund is the only fund that reports a positive unassigned fund balance amount.

The Town Council adopted a fund balance policy in September 2011 which established new fund balance categories (as recommended by Statement No. 54 by the Governmental Accounting Standards Board) and established a minimum unassigned fund balance goal (30% of annual operating expenditures).

**15. Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**F. Revenues and Expenditures/Expenses**

**1. Program Revenues**

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**2. Property Taxes**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the Town.

Property taxes at the fund level are recorded as receivables and deferred revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with Generally Accepted Accounting Principles have been recognized as revenue.

**3. Proprietary Funds Operating and Nonoperating Revenues and Expenses**

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the utility fund, golf course fund, and storm water utility funds are charges to customers for sales and services. The utility fund also recognizes as operating

revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

## NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

### A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.

### B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, "the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities."

## NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP) for the general, court technology, court security, street maintenance, hotel/motel tax, crime control and prevention, recreation programs, debt service fund, capital projects, park land dedication fund, and enterprise funds. The original budget is adopted by the Town Council prior to the beginning of the year. The legal level of control as defined by the Town Charter is the fund level. No funds can be transferred or added which affect the total fund expenditures without Town Council approval. Appropriations lapse at the end of the year. During the fiscal year ended September 30, 2020, no supplemental budget appropriations were made.

As of September 30, 2020, expenditures exceeded appropriations at the legal level of control for the Capital Projects fund in the amount of $79,660.

### A. Restricted Net Position

The Town records restricted net position on amounts with externally imposed restrictions (e.g., through debt covenants or by grantors) or restrictions imposed by law through constitutional provisions or enabling legislation. Total restricted net position for the primary government was $6,821,486. Of which, $32,838 and $1,530,643, a total of $1,563,481, is restricted by enabling legislation.

### B. Deficit Equity

At September 30, 2020, the Component Unit, Tax Increment Reinvestment Zone #1 had a deficit fund balance of $354,812. The deficit balances will be eliminated in the future as assessed values continue to increase as a result of growth and development within the TIRZ.

## NOTE 4. DETAILED NOTES ON ALL FUNDS

### A. Deposits and Investments

Deposits - State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. The Town's cash deposits at September 30, 2020 and during the year ended September 30, 2020 were entirely covered by FDIC insurance or by pledged collateral held by the Town's agent bank in the Town's name.

**Legal and contractual provisions governing deposits and investments**

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the Town to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity, allowed based on the stated maturity date for the portfolio, and (8) investment staff quality and capabilities.

The Act also requires the Town to have independent auditors perform test procedures related to investment practices as provided by the Act. The Town is in substantial compliance with the requirements of the Act and with local policies.

As of September 30, 2020, the Town had the following investments:

| Investment Type | Carrying Value | Weighted Average Maturity (Years) |
|---|---|---|
| External investment pools | 4,733,958 | 0.12 |
| Total fair value | $ 4,733,958 | |
| Portfolio weighted average maturity | | 0.12 |

*Interest rate risk:* In compliance with the Town's Investment Policy, as of September 30, 2020, the Town minimized the interest rate risk, related to current events market turmoil in the portfolio by: limiting the effective duration of security types not to exceed two years with the exception of securities purchases related to reserve funds; structuring the investment portfolio so that securities matured to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the secondary market prior to maturity; monitoring credit ratings of portfolio positions to assure compliance with rating requirements imposed by the Public Funds Investment Act; and investing operating funds primarily in short-term securities, money market mutual funds, or similar government investment pools.

*Credit risk:* The Town's investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than "A" or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAAm, or equivalent, by at least one nationally recognized rating service. As of September 30, 2020, all of the Town's purchased investments in U.S. Agencies Obligations were rated AA+, AAA and Aaa by Standard & Poors, Fitch and Moody's, respectively.

*Custodial credit risk – deposits:* In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2020, the market values of pledged securities and FDIC exceeded bank balances.

*Custodial credit risk – investments:* For an investment, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town's investment policy requires that it will seek to safeguard securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the Town's safeguard account prior to the release of funds.

**TexPool**

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool AAAm. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review. At September 30, 2020, the fair value of the position in TexPool approximates fair value of the shares. There were no limitations or restrictions on withdrawals.

**Texas CLASS**

Texas CLASS is a local government investment pool emphasizing safety, liquidity, convenience and competitive yield. Since 1996, Texas CLASS has provided Texas public entities a safe and competitive investment alternative. Texas CLASS invests only in securities allowed by the Texas Public Funds Investment Act. The pool is governed by a board of trustees, elected annually by its participants. Texas CLASS is rated 'AAAm' by Standard and Poor's Ratings Services. The 'AAAm' principal stability fund rating is the highest assigned to principal stability government investment pools and is a direct reflection of Texas CLASS's outstanding credit quality and management. At September 30, 2020, the fair value of the position in Texas CLASS approximates fair value of the shares. There were no limitations or restrictions on withdrawals.

## B. Receivables

The following comprise receivable balances of the primary government at year end:

| | General | Debt Service | PID No. 1 | Nonmajor Governmental | Storm Drainage Utility | Total |
|---|---|---|---|---|---|---|
| Property taxes | $ 62,671 | $ 19,181 | $ - | $ - | $ - | $ 81,852 |
| Sales tax | 209,656 | - | - | 52,414 | - | 262,070 |
| Franchise taxes | 45,724 | - | - | - | - | 45,724 |
| Hotel occupancy | - | - | - | 20,471 | - | 20,471 |
| Special assessments | - | - | 23,985,000 | - | - | 23,985,000 |
| Due from other governments | 31,738 | - | - | - | - | 31,738 |
| Municipal court | 62,337 | - | - | - | - | 62,337 |
| EMS | 153,570 | - | - | - | - | 153,570 |
| Storm drainage | - | - | - | - | 40,753 | 40,753 |
| Park services | 3,987 | - | - | - | - | 3,987 |
| Other | 127,640 | - | - | - | - | 127,640 |
| Allowance | (57,921) | - | - | - | - | (57,921) |
| **Total** | $ 639,402 | $ 19,181 | $ 23,985,000 | $ 72,885 | $ 40,753 | $ 24,757,221 |

The following comprise receivable balances of the component units at year end:

| | 4B Economic Corporation | Crime Control and Prevention | Total |
|---|---|---|---|
| Sales taxes | $ 104,828 | $ 51,772 | $ 156,600 |
| **Total** | $ 104,828 | $ 51,772 | $ 156,600 |

## C. Capital Assets

A summary of changes in governmental activities capital assets for the year end was as follows:

| | Beginning Balances | Additions | Retirements/ Reclassifications | Ending Balances |
|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | |
| Land | $ 10,463,669 | $ - | $ - | $ 10,463,669 |
| Construction in progress | 2,826,762 | 1,599,123 | (4,410,878) | 15,007 |
| Total capital assets not being depreciated | 13,290,431 | 1,599,123 | (4,410,878) | 10,478,676 |
| Capital assets, being depreciated: | | | | |
| Buildings | 11,877,299 | - | (1,221,980) | 10,655,319 |
| Improvements other than buildings | 60,194,248 | 311,852 | 4,378,169 | 64,884,269 |
| Machinery and equipment | 2,988,314 | 52,652 | (482,633) | 2,558,333 |
| Vehicles | 1,613,702 | 84,721 | (191,728) | 1,506,695 |
| Water system | 5,362,005 | - | - | 5,362,005 |
| Infrastructure | 14,332,062 | - | - | 14,332,062 |
| Total capital assets being depreciated | 96,367,630 | 449,225 | 2,481,828 | 99,298,683 |
| Less accumulated depreciation | | | | |
| Buildings | 1,650,244 | 400,192 | (631,267) | 1,419,169 |
| Improvements other than buildings | 26,423,223 | 2,073,162 | (26,587) | 28,469,798 |
| Machinery and equipment | 1,813,329 | 243,346 | (180,780) | 1,875,895 |
| Vehicles | 1,081,543 | 130,914 | (176,121) | 1,036,336 |
| Water system | 1,454,206 | 219,229 | - | 1,673,435 |
| Infrastructure | 5,920,874 | 337,494 | - | 6,258,368 |
| Total accumulated depreciation | 38,343,419 | 3,404,337 | (1,014,755) | 40,733,001 |
| Net capital assets being depreciated | 58,024,211 | (2,955,112) | 3,496,583 | 58,565,682 |
| **Total capital assets** | $ 71,314,642 | $ (1,355,989) | $ (914,295) | $ 69,044,358 |

Depreciation expense was charged to governmental functions as follows:

| | |
|---|---|
| General government | $ 739,640 |
| Emergency medical services | 48,849 |
| Information systems | 47,719 |
| Police | 114,925 |
| Fire | 11,329 |
| Parks and recreation | 776,946 |
| Streets (Infrastructure) | 1,664,929 |
| **Total Governmental Activities Depreciation Expense** | $ 3,404,337 |

A summary of changes in business-type activities capital assets for the year end was as follows:

| | Beginning Balances | Increases | Decreases/ Reclassifications | Ending Balances |
|---|---|---|---|---|
| Capital assets, being depreciated: | | | | |
| Machinery and equipment | $ 24,112 | $ - | $ - | $ 24,112 |
| Improvements | - | 33,365 | - | 33,365 |
| Infrastructure | 2,039,766 | - | - | 2,039,766 |
| Total capital assets being depreciated | 2,063,878 | 33,365 | - | 2,097,243 |
| Less accumulated depreciation | | | | |
| Machinery and equipment | 11,380 | 2,387 | - | 13,767 |
| Improvements | - | 834 | - | 834 |
| Infrastructure | 227,562 | 51,083 | - | 278,645 |
| Total accumulated depreciation | 238,942 | 54,304 | - | 293,246 |
| Net capital assets being depreciated | 1,824,936 | (20,939) | - | 1,803,997 |
| Total capital assets | $ 1,824,936 | $ (20,939) | $ - | $ 1,803,997 |

Depreciation expense was charged to business-type activities as follows:

| | |
|---|---|
| Trophy Club Park | $ 3,221 |
| Storm Drainage Utility | 51,083 |
| **Total Business-Type Activities Depreciation Expense** | $ 54,304 |

A summary of changes in discretely presented component unit activities capital assets for the year end was as follows:

| | Beginning Balances | Increases | Decreases/ Reclassifications | Ending Balances |
|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | |
| Land | $ 2,538,765 | $ - | $ - | $ 2,538,765 |
| Total capital assets not being depreciated | 2,538,765 | - | - | 2,538,765 |
| Capital assets, being depreciated: | | | | |
| Infrastructure | 367,960 | - | - | 367,960 |
| Total capital assets being depreciated | 367,960 | - | - | 367,960 |
| Less accumulated depreciation | | | | |
| Infrastructure | 8,177 | 24,531 | - | 32,708 |
| Total accumulated depreciation | 8,177 | 24,531 | - | 32,708 |
| Net capital assets being depreciated | 359,783 | (24,531) | - | 335,252 |
| Total capital assets | $ 2,898,548 | $ (24,531) | $ - | $ 2,874,017 |

### D. Other Long-term Liabilities

The following summarizes the changes in other long-term liabilities of the primary government during the year.

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due Within One Year |
|---|---|---|---|---|---|
| **Governmental Activities:** | | | | | |
| Compensated Absences | $ 305,285 | $ 297,365 | $ (256,661) | $ 345,989 | $ 311,390 |
| **Total Governmental Activities** | $ 305,285 | $ 297,365 | $ (256,661) | $ 345,989 | $ 311,390 |

The general fund has typically been used to liquidate the liability for compensated absences for governmental activities.

## E. Long-term Debt

The Town periodically issues general obligation bonds and contractual obligations to provide funds for general government purposes. The Town also periodically utilizes notes and capital leases to provide financing for general government purposes. In general, the Town uses the debt service fund and general fund to liquidate governmental long-term liabilities, with the exception of special assessment bonds which are fully covered by assessment receivables. The following is a summary of changes in the Town's total long-term liabilities for the year ended September 30, 2020.

| | Beginning Balance | Additions | Retired | Ending Balance | Amounts Due Within One Year |
|---|---|---|---|---|---|
| **Governmental Activities:** | | | | | |
| Bonds, notes and other payables: | | | | | |
| General Obligation Bonds | $ 9,805,000 | $ 3,550,000 | $ (4,350,000) | $ 9,005,000 | $ 1,505,000 |
| Certificates of Obligation | 10,637,000 | - | (848,000) | 9,789,000 | 563,000 |
| Special Assessment Bonds | 25,260,000 | - | (1,275,000) | 23,985,000 | 1,340,000 |
| Less deferred amounts: | | | | | |
| For premiums | 4,160,382 | - | (287,455) | 3,872,927 | - |
| Total Bonds Payable | 49,862,382 | 3,550,000 | (6,760,455) | 46,651,927 | 3,408,000 |
| Capital lease | 88,205 | - | (88,205) | - | - |
| **Total Governmental Activities** | $ 49,950,587 | $ 3,550,000 | $ (6,848,660) | $ 46,651,927 | $ 3,408,000 |
| | | | **Long-term liabilities due in more than one year** | $ 43,243,927 | |
| **Business-Type Activities:** | | | | | |
| Certificates of Obligation | $ 825,000 | $ - | $ (155,000) | $ 670,000 | $ 160,000 |
| Less deferred amounts: | | | | | |
| For premiums | 16,940 | - | (4,418) | 12,522 | - |
| **Total Business-Type Activities** | 841,940 | - | (159,418) | 682,522 | 160,000 |
| | | | **Long-term liabilities due in more than one year** | $ 522,522 | |
| **Component Unit Activities:** | | | | | |
| Certificates of Obligation | $ 2,280,000 | $ - | $ (105,000) | $ 2,175,000 | $ 110,000 |
| Less deferred amounts: | | | | | |
| For discounts | (21,209) | - | 1,333 | (19,876) | - |
| **Total Component Unit Activities** | $ 2,258,791 | $ - | $ (103,667) | $ 2,155,124 | $ 110,000 |
| | | | **Long-term liabilities due in more than one year** | $ 2,045,124 | |

Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. The Town intends to retire all of its general long-term liabilities, plus accrued interest, from property taxes and other current revenues from the debt

service fund as has been done in prior years. The special assessment bonds are fully offset by assessment receivables. The proprietary fund type long-term debt will be repaid, plus accrued interest, from operating revenues of the respective fund. Capital leases are secured by the underlying asset. In the event of default, the lender may demand immediate payment or take possession of the asset. As of September 30, 2020, the total net carrying value of the capital lease assets was $240,465. At year end, long-term debt of governmental activities was comprised of the following debt issues:

**Governmental Activities:**

| Description | Interest Rate | Year of Issue | Final Maturity | Average Annual Payment | Original Amount | Balance 9/30/2020 |
|---|---|---|---|---|---|---|
| General Obligation Bonds: | | | | | | |
| Refunding | 2.18 % | 2015 | 2025 | 203,000 | 2,030,000 | 1,170,000 |
| Improvements | 2.00-3.00 % | 2016 | 2036 | 262,250 | 5,245,000 | 4,285,000 |
| Refunding | 1.16 % | 2020 | 2030 | 355,000 | 3,550,000 | 3,550,000 |
| | | | | | | $ 9,005,000 |
| Certificates of Obligations: | | | | | | |
| Combination Tax and Revenue-Series 2004 | 3.50 - 4.75 % | 2004 | 2024 | $ 32,500 | $ 650,000 | $ 134,000 |
| Certificates of Obligation Series 2013 | 2.50 - 3.25 % | 2013 | 2028 | 86,667 | 1,300,000 | 835,000 |
| Certificates of Obligation Series 2014 | 2.00 - 3.75 % | 2014 | 2034 | 125,000 | 2,500,000 | 1,900,000 |
| Certificates of Obligation Series 2016 | 2.00-4.00 % | 2016 | 2036 | 210,500 | 4,210,000 | 3,585,000 |
| Certificates of Obligation Series 2017 | 2.50-3.00 % | 2017 | 2037 | 222,250 | 4,445,000 | 3,335,000 |
| | | | | | | $ 9,789,000 |
| Special Assessments: | | | | | | |
| Special Assessment Revenue Refunding-Series 2015 | 2.00-4.00 % | 2015 | 2033 | $ 1,453,054 | $ 26,154,979 | 23,985,000 |
| | | | | | | $ 23,985,000 |

The PID special assessment bonds are secured solely by the pledged property assessments revenue for the related properties within the Trophy Club PID 1 area. The debt is repaid with property assessments by the respective property owners. The Town is not obligated to pay the bonds from any funds raised from taxation or from any other revenues available to the Town. The Town, through their designed trustee and third-party administrator, set up a separate fund used to service the bond, collect the property assessments, and for initiating any future foreclosures.

**Business-type Activities:**

| Description | Interest Rate | Year of Issue | Final Maturity | Average Annual Payment | Original Amount | Balance 9/30/2020 |
|---|---|---|---|---|---|---|
| Certificates of Obligation Series 2013 | 2.50 - 3.00 % | 2013 | 2024 | $ 154,545 | $ 1,700,000 | $ 670,000 |
| | | | | | | $ 670,000 |

**Component-Unit Activities:**

| Description | Interest Rate | Year of Issue | Final Maturity | Average Annual Payment | Original Amount | Balance 9/30/2020 |
|---|---|---|---|---|---|---|
| Certificates of Obligation Series 2015 | 1.00 - 4.75 % | 2015 | 2035 | $ 134,500 | $ 2,690,000 | $ 2,175,000 |
| | | | | | | $ 2,175,000 |

The annual requirements to amortize long-term debt outstanding of governmental activities as of September 30, 2020, are as follows:

**Governmental Activities**

| Year Ending September 30, | General Obligation Bonds Principal | General Obligation Bonds Interest | Total Requirements |
|---|---|---|---|
| 2021 | $ 1,505,000 | $ 175,760 | $ 1,680,760 |
| 2022 | 905,000 | 153,611 | 1,058,611 |
| 2023 | 705,000 | 136,627 | 841,627 |
| 2024 | 725,000 | 121,820 | 846,820 |
| 2025 | 740,000 | 106,546 | 846,546 |
| 2026-2030 | 2,625,000 | 371,858 | 2,996,858 |
| 2031-2035 | 1,480,000 | 163,800 | 1,643,800 |
| 2036-2037 | 320,000 | 8,800 | 328,800 |
| Total | $ 9,005,000 | $ 1,238,822 | $ 10,243,822 |

| Year Ending September 30, | Certificates of Obligation Principal | Certificates of Obligation Interest | Total Requirements |
|---|---|---|---|
| 2021 | $ 563,000 | $ 288,397 | $ 851,397 |
| 2022 | 588,000 | 269,358 | 857,358 |
| 2023 | 608,000 | 251,275 | 859,275 |
| 2024 | 620,000 | 232,559 | 852,559 |
| 2025 | 605,000 | 213,244 | 818,244 |
| 2026-2030 | 3,100,000 | 800,350 | 3,900,350 |
| 2031-2035 | 2,960,000 | 376,000 | 3,336,000 |
| 2036-2037 | 745,000 | 29,550 | 774,550 |
| Total | $ 9,789,000 | $ 2,460,733 | $ 12,249,733 |

| Year Ending September 30, | Special Assessment Bonds Principal | Special Assessment Bonds Interest | Total Requirements |
|---|---|---|---|
| 2021 | $ 1,340,000 | $ 880,073 | $ 2,220,073 |
| 2022 | 1,400,000 | 849,923 | 2,249,923 |
| 2023 | 1,469,000 | 814,923 | 2,283,923 |
| 2024 | 1,549,000 | 770,853 | 2,319,853 |
| 2025 | 1,627,000 | 724,383 | 2,351,383 |
| 2026-2030 | 9,541,000 | 2,734,956 | 12,275,956 |
| 2031-2035 | 7,059,000 | 720,850 | 7,779,850 |
| Total | $ 23,985,000 | $ 7,495,961 | $ 31,480,961 |

The annual requirements to amortize long-term debt outstanding of business-type activities as of September 30, 2020, are as follows:

**Business-Type Activities**

| Year Ending September 30, | Certificates of Obligation Principal | Certificates of Obligation Interest | Total Requirements |
|---|---|---|---|
| 2021 | $ 160,000 | $ 16,462 | $ 176,462 |
| 2022 | 165,000 | 12,194 | 177,194 |
| 2023 | 170,000 | 7,588 | 177,588 |
| 2024 | 175,000 | 2,625 | 177,625 |
| Total | $ 670,000 | $ 38,869 | $ 708,869 |

The annual requirements to amortize long-term debt outstanding of component units as of September 30, 2020, are as follows:

**Component-Unit Activities**

| Year Ending September 30, | Certificates of Obligation Principal | Certificates of Obligation Interest | Total Requirements |
|---|---|---|---|
| 2021 | $ 110,000 | $ 93,668 | $ 203,668 |
| 2022 | 110,000 | 90,258 | 200,258 |
| 2023 | 115,000 | 86,518 | 201,518 |
| 2024 | 120,000 | 82,263 | 202,263 |
| 2025 | 125,000 | 77,463 | 202,463 |
| 2026-2030 | 710,000 | 303,475 | 1,013,475 |
| 2031-2035 | 885,000 | 130,150 | 1,015,150 |
| Total | $ 2,175,000 | $ 863,793 | $ 3,038,793 |

## F. Advanced Refunding

On September 15, 2020, the Town issued $3,550,000 in general obligation refunding bonds with an interest rate of 1.16%. The proceeds were used to advance refund $3,070,000 of outstanding 2010 general obligation bonds which had an interest rate of 3% to 4%, and $410,000 of outstanding 2010 general obligation refunding bonds with an interest rate of 2% to 4%. The net proceeds of $3,485,838, after issuance costs, were deposited into an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the obligations are considered defeased and the liability for those bonds have been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by $5,838. This amount was expensed in full during the current year due to it being a relatively small balance.

This advance refunding reduced its total debt service payments by $506,186 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $422,353.

### G. Deferred Charges on Refunding

A deferred charge resulting from the issuance of the 2010 and 2015 general obligation refunding bonds has been recorded as a deferred outflow of resources and is being amortized to interest expense over the term of the refunded debt. The net balance outstanding as of September 30, 2020 was $2,740,306 for government-type activity reflected in the government-wide statements. Current year amortization expense totaled $206,009.

### H. Interfund Transactions

Transfers between funds during the year are as follows:

| | Transfer In: | | |
|---|---|---|---|
| **Transfer Out:** | **General** | **Debt Service** | **Total** |
| Court Security Fund | 1,500 | - | 1,500 |
| Trophy Club Park | 20,000 | - | 20,000 |
| Storm Drainage Utility Fund | 40,000 | 202,933 | 242,933 |
| **Total** | $ 61,500 | $ 202,933 | $ 264,433 |

Transfers were primarily used to support debt service, capital expenditures, and to transfer funds to the general fund for administrative costs.

## NOTE 5. OTHER INFORMATION

### A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The Town participates in the Texas Municipal League Intergovernmental Risk Pool (Pool) which provides protection for risks of loss. Premiums are paid to the Pool that retains the risk of loss beyond the Town's policy deductibles. Any losses reported but unsettled or incurred and not reported, are believed to be insignificant to the Town's basic financial statements. For the last three years, there have been no significant reductions of insurance coverage or insurance settlements in excess of insurance coverage.

## B. Contingent Liabilities

The Town is involved in lawsuits with other parties from time to time. While the ultimate result of these matters cannot be predicted with certainty, the Town does not expect them to have a materially adverse effect on the basic financial statements.

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

## C. Contingencies

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

## D. Defined Benefit Pension Plans

### Texas Municipal Retirement System

### Plan Description

The Town of Trophy Club, Texas participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas.

The TMRS Act places the general administration and management of the system with a six-member board of trustees. Although the Governor, with the advice and consent of the Senate, appoints the board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available Comprehensive Annual Financial Report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the Town are required to participate in TMRS.

**Benefits Provided**

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the Town, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the town-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a partial lump sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The plan provisions are adopted by the governing body of the Town, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

Plan provisions for the Town were as follows:

| | Plan Year 2019 | Plan Year 2018 |
|---|---|---|
| Employee deposit rate | 7% | 7% |
| Matching ratio (town to employee) | 2 to 1 | 2 to 1 |
| Years required for vesting | 5 | 5 |
| Service retirement eligibility (expressed as age / years of service) | 60/5, 0/20 | 60/5, 0/20 |
| Updated service credit | 100% Repeating Transfers | 100% Repeating Transfers |
| Annuity increase (to retirees) | 30% of CPI repeating | 30% of CPI repeating |

The Town also participates in Social Security.

**Employees covered by benefit terms**

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefits | 40 |
| Inactive employees entitled to but not yet receiving benefits | 109 |
| Active employees | 77 |
| Total | 226 |

**Contributions**

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the Town matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the Town. Under the state law governing TMRS, the contribution rate for each town is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the Town of Trophy Club, Texas were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the Town of Trophy Club, Texas were 12.95% and 13.09% in calendar years 2019 and 2020, respectively. The Town's contributions to TMRS for the year ended September 30, 2020, were $719,013 and were equal to the required contributions.

**Net Pension Liability**

The Town's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---|---|
| Inflation | 2.5% per year |
| Overall payroll growth | 3.5% to 10.5%, including inflation |
| Investment Rate of Return | 6.75%, net of pension plan investment expense, including inflation |

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2020 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|---|---|---|
| Global Equity | 30.0% | 5.30% |
| Core Fixed Income | 10.0% | 1.25% |
| Non-Core Fixed Income | 20.0% | 4.14% |
| Real Return | 10.0% | 3.85% |
| Real Estate | 10.0% | 4.00% |
| Absolute Return | 10.0% | 3.48% |
| Private Equity | 10.0% | 7.75% |
| Total | 100.0% | |

**Discount Rate**

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will remain at the current 7.0% and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

**Changes in Net Pension Liability:**

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) – (b) |
|---|---|---|---|
| **Balance at 12/31/18** | **$** 19,854,961 | **$** 17,072,317 | **$** 2,782,644 |
| Changes for the year: | | | |
| Service Cost | 980,663 | - | 980,663 |
| Interest | 1,354,175 | - | 1,354,175 |
| Difference between expected and actual experience | (3,497) | - | (3,497) |
| Changes of assumptions | (802) | - | (802) |
| Contributions – employer | - | 710,975 | (710,975) |
| Contributions – employee | - | 384,574 | (384,574) |
| Net investment income | - | 2,642,216 | (2,642,216) |
| Benefit payments, including refunds of emp. contributions | (566,895) | (566,895) | - |
| Administrative expense | - | (14,914) | 14,914 |
| Other changes | - | (448) | 448 |
| Net changes | 1,763,644 | 3,155,508 | (1,391,864) |
| **Balance at 12/31/19** | **$** 21,618,605 | **$** 20,227,825 | **$** 1,390,780 |

The Town uses the general fund to liquidate pension liabilities.

**Sensitivity of the Net Position Liability to Changes in the Discount Rate**

The following presents the net pension liability of the Town, calculated using the discount rate of 6.75%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

| 1% Decrease 5.75% | Current Single Rate Assumption 6.75% | 1% Increase 7.75% |
|---|---|---|
| $ 4,820,954 | $ 1,390,780 | $ (1,374,467) |

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's Fiduciary Net Position is available in a separately issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:**

For the year ended September 30, 2020, the Town recognized a pension expense of $615,030. This amount is included as part of expenses within the functional program activities.

At September 30, 2020, the Town reported deferred outflows and inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred (Inflows) of Resources |
|---|---|---|
| **Primary Government:** | | |
| Difference between projected and actual investment earnings | $ - | $ 609,044 |
| Changes in actuarial assumptions | - | 550 |
| Differences between expected and actual economic experience | - | 115,038 |
| Contributions subsequent to the measurement date | 539,353 | - |
| **Total** | $ 539,353 | $ 724,632 |

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of $539,353 will be recognized as a reduction of the net pension liability for the year ending September 30, 2021.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| **Year ended December 31:** | |
|---|---|
| 2020 | $ (261,395) |
| 2021 | (202,532) |
| 2022 | 37,262 |
| 2023 | (297,967) |
| 2024 | - |
| Thereafter | - |
| | $ (724,632) |

### E. Postemployment Benefits Other Than Pensions

The Town also participates in a defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The Town elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The Town may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for $7,500; this coverage is an "other postemployment benefit," or OPEB. The SDBF covers both active and retiree benefits with no segregation of assets and, therefore, doesn't meet the definition of a trust under GASB No. 75, paragraph 4b, (i.e., no assets are accumulated for OPEB). As such, the SDBF is considered to be a single-employer unfunded OPEB plan (and not a cost sharing plan) with benefit payments treated as being equal to the employer's yearly contributions for retirees.

| The Town offers supplemental death to: | Plan Year 2019 | Plan Year 2018 |
|---|---|---|
| Active employees (yes or no) | Yes | Yes |
| Retirees (yes or no) | Yes | Yes |

The Town contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

**Employees covered by benefit terms**

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefits | 27 |
| Inactive employees entitled to but not yet receiving benefits | 29 |
| Active employees | 77 |
| Total | 133 |

The Town's contributions to the TMRS SDBF for the years ended 2020, 2019 and 2018 were $1,105, $1,128 and $982, respectively, which equaled the required contributions each year.

Schedule of Contribution Rates
*(RETIREE-only portion of the rate)*

| Plan/ Calendar Year | Annual Required Contribution (Rate) | Actual Contribution Made (Rate) | Percentage of ARC Contributed |
|---|---|---|---|
| 2018 | 0.02% | 0.02% | 100.0% |
| 2019 | 0.02% | 0.02% | 100.0% |
| 2020 | 0.02% | 0.02% | 100.0% |

**Total OPEB Liability**

The Town's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2019, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

**Actuarial assumptions:**

The Total OPEB Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---|---|
| Inflation | 2.5% per year |
| Overall payroll growth | 3.5% to 11.5%, including inflation per year |
| Discount rate | 2.75% |
| Retirees' share of benefit-related costs | $0 |
| Administrative expenses | All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68 |

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

**Discount Rate:**

The discount rate used to measure the Total OPEB Liability was 2.75%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of the Town, calculated using the discount rate of 2.75%, as well as what the Town's total OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (1.75%) or 1-percentage-point higher (3.75%) than the current rate:

| 1% Decrease 1.75% | Current Single Rate Assumption 2.75% | 1% Increase 3.75% |
|---|---|---|
| $ 313,827 | $ 251,655 | $ 205,021 |

**Changes in the Total OPEB Liability:**

| | Total OPEB Liability |
|---|---|
| **Balance at 12/31/18** | **$** 188,329 |
| Changes for the year: | |
| Service Cost | 15,383 |
| Interest | 7,252 |
| Difference between expected and actual experience | (4,443) |
| Changes of assumptions | 46,233 |
| Benefit payments | (1,099) |
| Net changes | 63,326 |
| **Balance at 12/31/19** | **$** 251,655 |

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended September 30, 2020, the Town recognized OPEB expense of $30,422.

At September 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual economic experience | $ 35,374 | - |
| Changes in assumptions | - | 4,195 |
| Contributions subsequent to measurement date | 824 | - |
| **Total** | **$** 36,198 | **$** 4,195 |

The Town reported $824 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2021.

Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

| **Year ended December 31:** | |
|---|---|
| 2020 | $ 7,787 |
| 2021 | 7,787 |
| 2022 | 6,869 |
| 2023 | 5,640 |
| 2024 | 3,096 |
| Thereafter | - |
| | $ 31,179 |

## F. Other Post-Employment Benefits

### Plan Description

The Town provides post-employment medical, dental, and vision benefits (OPEB) for eligible retirees, their spouses and dependents through a single-employer plan with United Healthcare, which covers both active and retired members.

The retiree pays 195% of the active participant contribution rate for the coverage selected.

As of September 30, 2020, membership consisted of:

| | |
|---|---|
| Retirees or beneficiaries currently receiving benefits | - |
| Active employees | 67 |
| Total | 67 |

The three optional benefit levels, Plan 05X8617, 05X8569 and 05X8589, are the same for retirees as those afforded to active employees. Regular full-time employees retiring from the Town have the option to continue medical insurance coverage until the retiree becomes eligible for Medicare or is eligible to be covered under another medical plan.

**Funding Policy**

The benefit levels and contribution rates are approved annually by the Town management and the Town Council as part of the budget process. By the Town not contributing anything toward this plan in advance, the Town employs a pay-as-you-go method through ensuring the annual retiree contributions are equal to the benefits that are paid on behalf of the retirees.

The monthly retiree health coverage contribution rates for offered benefit levels are as follows:

| | High Plan 05X8589 | Standard Plan 05X8569 | HSA Plan 05X8617 |
|---|---|---|---|
| Single Coverage | $ 488 | $ 440 | $ 330 |
| Single + Spouse | $ 1,302 | $ 1,174 | $ 881 |
| Single + Children | $ 923 | $ 832 | $ 625 |
| Single + Family | $ 1,641 | $ 1,479 | $ 1,111 |

An irrevocable trust has not been established; therefore, the plan is not accounted for as a trust fund. The plan does not issue a separate financial report.

**Annual OPEB Expense and Net OPEB Liability**

The Town's annual OPEB cost is calculated based on actuarially assumptions determined in accordance with the parameters of GASB 75.

The following table shows the components of the Town's annual OPEB expense for the year, the amount contributed to the plan, and changes in the Town's net OPEB liability.

| | | |
|---|---|---|
| Service cost | $ | 5,389 |
| Interest Cost | | 2,624 |
| Difference between expected and actual exp | | (1,194) |
| Changes in assumptions | | (6,481) |
| Annual OPEB cost expense | | 338 |
| Contributions made | | - |
| Change in net OPEB liability | | 338 |
| Net OPEB Liability-beginning of year | | 59,249 |
| Net OPEB Liability-end of year | $ | 59,587 |

The Town's annual OPEB expense, the percentage of annual OPEB expense contributed to the plan, and the net OPEB liability for 2020 and the preceding year are as follows:

| Fiscal Year | Annual OPEB Expense | Percentage of Annual OPEB Cost Contributed | Net OPEB Liability Beginning | Net OPEB Liability Ending |
|---|---|---|---|---|
| 2018 | $ 7,198 | 0.00% | $ 44,561 | $ 51,759 |
| 2019 | $ 7,490 | 0.00% | $ 51,759 | $ 59,249 |
| 2020 | $ 338 | 0.00% | $ 59,249 | $ 59,587 |

**Funded Status and Funding Progress**

As of September 30, 2019, the actuarial accrued liability for benefits was $59,587, all of which was unfunded. The actuarial accrued liability for benefits was determined based on the September 30, 2020 valuation, the most recent actuarial valuation date available. The covered payroll (annual payroll of active employees covered by the plan) for fiscal year 2020 was $5,449,088, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 1.09%.

Actuarial valuations of an ongoing program involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Program and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Program, assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions:**

The Net OPEB Liability in the September 30, 2020 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---|---|
| Inflation | 3.0% per year |
| Health care cost trend | Level 5.00% |
| Discount rate | 2.25% (-0.25% real rate of return plus 2.50% inflation) |
| Salary scale | 3.50% |
| Mortality | RPH-2014 Total Table with Projection MP-2019 |

Projections of benefits are based on a substantive plan (the plan understood by the employer and plan members) and include the type of benefits in force at the valuation date and the pattern of sharing benefits between the Town and the plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and actuarial value of assets, consistent with the long-term perspective of the calculations.

The GASB statement requires that the discount rate used to determine the plan liabilities for retiree healthcare benefits be based on the earnings rate of the plan assets if the projected assets are sufficient to cover the projected benefit payments. If the projected assets are not sufficient then a municipal bond index rate must be used for discounting benefits not covered by the projected assets. Since there are no plan assets held in trust the Bond Buyer GO Bond 20 Index is used for determining the discount rate of 4.06%.

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of the Town, calculated using the both the trend and discount rate of 4.5% and 2.25%, respectively, as well as what the Town's total OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

**Trend Rate**

| 1% Decrease 3.50% | Current Single Rate Assumption 4.50% | 1% Increase 5.50% |
|---|---|---|
| $ 50,799 | $ 59,587 | $ 70,147 |

**Discount Rate**

| 1% Decrease 1.25% | Current Single Rate Assumption 2.25% | 1% Increase 3.25% |
|---|---|---|
| $ 53,067 | $ 59,587 | $ 66,852 |

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At September 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

| | Deferred Inflows of Resources |
|---|---|
| Differences between expected and actual economic experience | 1,042 |
| Changes in assumptions | 5,656 |
| **Total** | **$** 6,698 |

The Town reported no deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2021.

Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

| **Year ended December 31:** | |
|---|---|
| 2021 | $ (977) |
| 2022 | (977) |
| 2023 | (977) |
| 2024 | (977) |
| 2025 | (977) |
| Thereafter | (1,813) |
| | $ (6,698) |

**Aggregate Amount of OPEB Expense and Deferred Outflows and Inflows of Resources**

The following summaries the aggregate amount of OPEB expense and deferred outflows and inflows of resources for fiscal year ending September 30, 2020.

| | SDBF | Healthcare | Total |
|---|---|---|---|
| OPEB Liability | $ (251,655) | **$** (59,587) | **$** (311,242) |
| OPEB contributions | 824 | - | 824 |
| OPEB experience | 35,374 | (1,042) | 34,332 |
| OPEB change in assumptions | (4,195) | (5,656) | (9,851) |
| OPEB expense | 29,354 | 7,036 | 36,390 |

## G. DEFERRED COMPENSATION PLAN

The Town has established a deferred compensation plan (the 457 plan) in accordance with Internal Revenue Code, Section 457. The 457 plan, available to all employees, permits them to defer a portion of their salaries until future years. The benefits of the plan are not available to employees until termination, retirement, or unforeseeable emergency. Benefits are available to employee's beneficiaries in case of death.

All amounts of compensation deferred under the 457 plan, all property rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the Town (without being restricted to the provisions of benefits under the plan) subject only to the claims of the Town's general creditors. Participants' rights under the plan are equal to those of the general creditors of the Town in an amount equal to the fair market value of the deferred account for each participant.

It is the opinion of the Town that the Town has no liability for investment losses under the 457 plan but does have the duty of due care that would be required of an ordinary prudent investor. The Town believes that it is unlikely that it will use the 457 plan assets to satisfy the claims of general creditors in the future.

The Town's deferred compensation plan is administered by a private corporation under contract with the Town. Participant contributions totaled $23,077 for the year ended September 30, 2020.

## H. PUBLIC IMPROVEMENT DISTRICT NO. 1

On May 7, 2007, the Trophy Club Town Council approved Resolution 2007-08 authorizing and providing for the creation of a Public Improvement District. Trophy Club Public Improvement District No.1 consists of approximately 609.68 acres within the corporate limits of the Town of Trophy Club. This District was created in accordance with Chapter 372 of the Texas Local Government Code.

On December 13, 2007 the Trophy Club Town Council approved the issuance and sale of $27,500,000 in bonds, known as Trophy Club Public Improvement District No. 1 Special Assessment Revenue Bonds, Series 2007. These bonds were authorized in order to finance the authorized improvements found in the Service and Assessment Plan. An assessment on each property located in the District will repay the bonds.

The Service and Assessment Plan included the following projects: thoroughfare improvements, water distribution system improvements, wastewater collection system improvements, trails and open space, elevated water storage, thoroughfare landscaping and irrigation, screening walls and entry features, public parks, drainage improvements, and construction administration.

In December, 2015, the Town refunded the Public Improvement District No. 1 bonds. Total interest savings for the over 1,400 residences in the Public Improvement District exceeded $16.4M, with a net present value savings of over 33% of the refunded amount.

## I. TAX INCENTIVES

Chapter 380 of the Texas Tax Code authorizes allows the governing body of a municipality to establish and provide for the administration of one or more programs, including programs for making loans and grants of public money and providing personnel and services of the municipality, to promote state or local economic development and to stimulate business and commercial activity in the municipality. As of September 30, 2020 the Town of Trophy Club, Texas had no tax incentives.

## J. SUBSEQUENT EVENTS

There were no material subsequent events through March 23, 2021, the date the financial statements were issued.

# *REQUIRED SUPPLEMENTARY INFORMATION*

# Town of Trophy Club, Texas

*SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Page 1 of 2)*

*GENERAL FUND*

**For the Year Ended September 30, 2020**

| | Original & Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|---|---|---|
| **Revenues** | | | |
| Property tax | $ 6,894,957 | $ 7,031,351 | $ 136,394 |
| Sales tax | 1,015,684 | 1,158,083 | 142,399 |
| Franchise and local taxes | 772,648 | 850,543 | 77,895 |
| License and permits | 304,700 | 479,513 | 174,813 |
| Intergovernmental | 1,463,711 | 2,005,341 | 541,630 |
| Charges for services | 305,316 | 292,490 | (12,826) |
| Fines and forfeitures | 300,360 | 128,166 | (172,194) |
| Investment income | 132,000 | 75,137 | (56,863) |
| Other revenue | 122,104 | 226,751 | 104,647 |
| **Total Revenues** | 11,311,480 | 12,247,375 | 935,895 |
| **Expenditures** | | | |
| Current: | | | |
| Manager's office | 698,073 | 682,231 | 15,842 |
| Human resources | 489,378 | 428,851 | 60,527 |
| Finance | 580,570 | 601,249 | (20,679) |
| Municipal court | 73,942 | 77,456 | (3,514) |
| Police | 2,511,491 | 2,500,524 | 10,967 |
| Fire | 1,336,445 | 1,256,964 | 79,481 |
| Emergency medical services | 1,282,592 | 1,219,728 | 62,864 |
| Facilities management | 343,175 | 336,161 | 7,014 |
| Streets | 224,673 | 192,608 | 32,065 |
| Community development | 618,612 | 491,941 | 126,671 |
| Parks and recreation | 2,570,029 | 2,041,863 | 528,166 |
| Legal | 126,350 | 102,606 | 23,744 |
| Information services | 724,161 | 621,055 | 103,106 |
| Debt service: | | | |
| Principal | 88,206 | 88,206 | - |
| Interest | 3,246 | 3,246 | - |
| Capital outlay | 29,000 | - | 29,000 |
| **Total Expenditures** | 11,699,943 | 10,644,689 | 1,055,254 |
| **Revenues Over (Under) Expenditures** | (388,463) | 1,602,686 | 1,991,149 |

# Town of Trophy Club, Texas

*SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Page 2 of 2)*

*GENERAL FUND*

**For the Year Ended September 30, 2020**

| | Original & Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|---|---|---|
| **Other Financing Sources (Uses)** | | | |
| Transfers in | 61,500 | 61,500 | - |
| Sale of general capital assets | - | 32,213 | 32,213 |
| Insurance recoveries | - | 27,769 | 27,769 |
| **Total Other Financing Sources** | 61,500 | 121,482 | 59,982 |
| **Net Change in Fund Balance** | $ (326,963) | 1,724,168 | $ 2,051,131 |
| Beginning fund balance | | 5,823,255 | |
| **Ending Fund Balance** | | $ 7,547,423 | |

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

# Town of Trophy Club, Texas

## *SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS*

**Years Ended:**

| | 12/31/2019 | 12/31/2018 | 12/31/2017 |
|---|---|---|---|
| Total pension liability | | | |
| Service cost | $ 980,663 | $ 863,553 | $ 789,530 |
| Interest | 1,354,175 | 1,263,163 | 1,173,728 |
| Changes in benefit terms | - | - | - |
| Differences between expected and actual experience | (3,497) | (258,925) | (62,418) |
| Changes of assumptions | (802) | - | - |
| Benefit payments, including refunds of participant contributions | (566,895) | (589,161) | (636,604) |
| **Net change in total pension liability** | 1,763,644 | 1,278,630 | 1,264,236 |
| **Total pension liability - beginning** | 19,854,961 | 18,576,331 | 17,312,095 |
| **Total pension liability - ending (a)** | 21,618,605 | 19,854,961 | 18,576,331 |
| **Plan fiduciary net position** | | | |
| Contributions - employer | $ 710,975 | $ 633,832 | $ 606,585 |
| Contributions - members | 384,574 | 347,155 | 323,389 |
| Net investment income | 2,642,216 | (515,889) | 2,061,434 |
| Benefit payments, including refunds of participant contributions | (566,895) | (589,161) | (636,604) |
| Administrative expenses | (14,914) | (9,961) | (10,676) |
| Other | (448) | (520) | (541) |
| **Net change in plan fiduciary net position** | 3,155,508 | (134,544) | 2,343,587 |
| **Plan fiduciary net position - beginning** | 17,072,317 | 17,206,861 | 14,863,274 |
| **Plan fiduciary net position - ending (b)** | $ 20,227,825 | $ 17,072,317 | $ 17,206,861 |
| **Fund's net pension liability - ending (a) - (b)** | $ 1,390,780 | $ 2,782,644 | $ 1,369,470 |
| **Plan fiduciary net position as a percentage of the total pension liability** | 93.57% | 85.99% | 92.63% |
| **Covered payroll** | **$** 5,493,911 | **$** 4,954,406 | **$** 4,619,838 |
| **Fund's net pension liability as a percentage of covered payroll** | 25.31% | 56.17% | 29.64% |

**Notes to schedule:**

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

| 12/31/2016 | 12/31/2015 | 12/31/2014 [1] |
|---|---|---|
| $ 795,448 | 804,453 | $ 809,057 |
| 1,113,555 | 1,053,745 | 970,682 |
| - | - | (1,544,038) |
| (471,044) | (237,279) | (49,303) |
| - | 368,895 | - |
| (450,496) | (632,921) | (450,100) |
| 987,463 | 1,356,893 | (263,702) |
| 16,324,632 | 14,967,739 | 15,231,441 |
| 17,312,095 | 16,324,632 | 14,967,739 |
| $ 593,840 | 658,543 | $ 660,364 |
| 329,281 | 340,458 | 316,613 |
| 912,155 | 19,357 | 681,774 |
| (450,496) | (632,921) | (450,100) |
| (10,296) | (11,788) | (7,117) |
| (555) | (582) | (585) |
| 1,373,929 | 373,067 | 1,200,949 |
| 13,489,345 | 13,116,278 | 11,915,329 |
| $ 14,863,274 | 13,489,345 | $ 13,116,278 |
| $ 2,448,821 | 2,835,287 | $ 1,851,461 |
| 85.85% | 82.63% | 87.63% |
| **$** 4,704,011 | **$** 4,863,685 | $ 4,523,041 |
| 52.06% | 58.30% | 40.93% |

# Town of Trophy Club, Texas

## *SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN*

**Years Ended:**

| | 9/30/2020 | 9/30/2019 | 9/30/2018 |
|---|---|---|---|
| Actuarially determined employer contributions | $ 728,124 | $ 736,208 | $ 638,736 |
| Contributions in relation to the actuarially determined contribution | $ 728,124 | $ 736,208 | $ 638,736 |
| Contribution deficiency (excess) | $ - | $ - | $ - |
| Annual covered payroll | $ 5,524,768 | $ 5,640,011 | $ 4,911,902 |
| Employer contributions as a percentage of covered payroll | 13.18% | 13.05% | 13.00% |

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

### NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

**Valuation Date:**

| | |
|---|---|
| Notes | Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later. |

**Methods and Assumptions Used to Determine Contribution Rates:**

| | |
|---|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period | 26 years |
| Asset Valuation Method | 10 Year smoothed market; 15% soft corridor |
| Inflation | 2.5% |
| Salary Increases | 3.50% to 11.5%, including inflation |
| Investment Rate of Return | 6.75% |
| Retirement Age | Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018 |
| Mortality | Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The reates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projeted on a fully generational basis with scale UMP. |

**Other Information:**

| | |
|---|---|
| Notes | There were no benefit changes during the year. |

| 9/30/2017 | 9/30/2016 | 9/30/2015 [1] |
|---|---|---|
| $ 598,176 | $ 627,419 | $ 642,631 |
| $ 598,176 | $ 627,419 | $ 642,631 |
| $ - | $ - | $ - |
| $ 4,559,463 | $ 4,822,763 | $ 4,617,652 |
| 13.12% | 13.01% | 13.92% |

TOWN OF
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# Town of Trophy Club, Texas

## *SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) LIABILITY AND RELATED RATIOS*

## *TEXAS MUNICIPAL RETIREMENT SYSTEM*

**Years Ended:**

| | 12/31/2019 | 12/31/2018 | 12/31/2017 [1] |
|---|---|---|---|
| Total OPEB liability | | | |
| Service cost | $ 15,383 | $ 12,386 | $ 10,164 |
| Interest | 7,252 | 6,400 | 6,033 |
| Changes in benefit terms | - | - | - |
| Differences between expected and actual experience | (4,443) | (887) | - |
| Changes of assumptions | 46,233 | (16,237) | 17,400 |
| Benefit payments, including refunds of participant contributions | (1,099) | (991) | (924) |
| **Net changes** | 63,326 | 671 | 32,673 |
| **Total OPEB liability - beginning** | 188,329 | 187,658 | 154,985 |
| **Total OPEB liability - ending** | $ 251,655 | $ 188,329 | $ 187,658 [2] |
| | | | |
| **Covered employee payroll** | **$** 5,493,911 | **$** 4,954,406 | **$** 4,619,838 |
| **Total OPEB Liability as a percentage of covered** | 4.58% | 3.80% | 4.06% |

**Notes to schedule:**

[1] This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

[2] No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

# Town of Trophy Club, Texas

## *SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) LIABILITY AND RELATED RATIOS*

## *POST EMPLOYMENT HEALTHCARE BENEFITS*

**Years Ended:**

| | 9/30/2020 | 9/30/2019 | 9/30/2018 [1] |
|---|---|---|---|
| Total OPEB liability | | | |
| Service cost | $ 5,389 | $ 5,389 | $ 5,179 |
| Interest | 2,624 | 2,101 | 2,019 |
| Changes in benefit terms | - | - | - |
| Differences between expected and actual experience | (1,194.0) | - | - |
| Changes of assumptions | (6,481) | - | - |
| Benefit payments, including refunds of participant contributions | - | - | - |
| **Net changes** | 338 | 7,490 | 7,198 |
| **Total OPEB liability - beginning** | 59,249 | 51,759 | 44,561 |
| **Total OPEB liability - ending** | $ 59,587 | $ 59,249 | $ 51,759 [2] |
| | | | |
| **Covered employee payroll** | $ 4,398,838 | $ 3,662,902 | $ 4,911,902 |
| **Total OPEB Liability as a percentage of covered** | 1.35% | 1.62% | 1.05% |

**Notes to schedule:**

[1] This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is

[2] No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

# Town of Trophy Club, Texas

## *SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL*

## *PID No. 1*

**For the Year Ended September 30, 2020**

| | Original & Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|---|---|---|
| **Revenues** | | | |
| Special assessments | $ 2,204,998 | $ 2,187,165 | $ (17,833) |
| Other revenue | 47,310 | 42,568 | (4,742) |
| **Total Revenues** | 2,252,308 | 2,229,733 | (22,575) |
| **Expenditures** | | | |
| Current: | | | |
| PID activities | 47,310 | 50,152 | (2,842) |
| Debt service: | | | |
| Principal | 1,340,000 | 1,275,000 | 65,000 |
| Interest and fiscal charges | 864,998 | 905,573 | (40,575) |
| **Total Expenditures** | 2,252,308 | 2,230,725 | 21,583 |
| **Revenues Over (Under) Expenditures** | - | (992) | (992) |
| **Net Change in Fund Balance** | $ - | (992) | $ (992) |
| Beginning fund balance | | 3,972,188 | |
| **Ending Fund Balance** | | $ 3,971,196 | |

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

TOWN OF
TROPHY CLUB

# *OTHER SUPPLEMENTARY INFORMATION*

# *COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES*

# Town of Trophy Club, Texas

*COMBINING BALANCE SHEET*

*NONMAJOR GOVERNMENTAL FUNDS*

**September 30, 2020**

| | Hotel Occupancy Tax | Street Maintenance Sales Tax | Court Technology |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | $ 1,510,286 | $ 143,346 | $ 13,232 |
| Taxes receivable, net | 20,471 | 52,414 | - |
| **Total Assets** | $ 1,530,757 | $ 195,760 | $ 13,232 |
| **Liabilities** | | | |
| Accounts payable | $ 114 | $ 11,204 | $ - |
| **Total Liabilities** | 114 | 11,204 | - |
| **Fund Balances** | | | |
| Restricted for: | | | |
| Tourism | 1,530,643 | - | - |
| Public safety | - | - | - |
| Street maintenance | - | 184,556 | - |
| Court | - | - | 13,232 |
| Parks | - | - | - |
| Committed for: | | | |
| Recreation programs | - | - | - |
| **Total Fund Balances** | 1,530,643 | 184,556 | 13,232 |
| **Total Liabilities, Deferred Inflows of Resources, and Fund Balances** | $ 1,530,757 | $ 195,760 | $ 13,232 |

See notes to the financial statements

| Court Security | Recreation Programs | Park Land Dedication | Grant | Total |
|---|---|---|---|---|
| $ 19,606 | $ 5,062 | $ 385,727 | $ 9,886 | $ 2,087,145 |
| - | - | - | - | 72,885 |
| $ 19,606 | $ 5,062 | $ 385,727 | $ 9,886 | $ 2,160,030 |
| | | | | |
| $ - | $ - | $ - | $ - | $ 11,318 |
| - | - | - | - | 11,318 |
| | | | | |
| - | - | - | - | 1,530,643 |
| - | - | - | 9,886 | 9,886 |
| - | - | - | - | 184,556 |
| 19,606 | - | - | - | 32,838 |
| - | - | 385,727 | - | 385,727 |
| | | | | |
| - | 5,062 | - | - | 5,062 |
| 19,606 | 5,062 | 385,727 | 9,886 | 2,148,712 |
| | | | | |
| $ 19,606 | $ 5,062 | $ 385,727 | $ 9,886 | $ 2,160,030 |

# Town of Trophy Club, Texas

*COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS*

**For the Year Ended September 30, 2020**

| | Hotel Occupancy Tax | Street Maintenance Sales Tax | Court Technology |
|---|---|---|---|
| **Revenues** | | | |
| Sales taxes | $ - | $ 287,911 | $ - |
| Occupancy tax | 387,759 | - | - |
| Charges for services | - | - | - |
| Fines and fees | - | - | 964 |
| Investment income | 6,856 | - | - |
| Other revenue | - | - | - |
| **Total Revenues** | 394,615 | 287,911 | 964 |
| **Expenditures** | | | |
| Current: | | | |
| Court | - | - | - |
| Tourism | 64,385 | - | - |
| Recreation | - | - | - |
| Public works | - | 195,811 | - |
| Capital outlay: | | | |
| Parks | 113,568 | - | - |
| **Total Expenditures** | 177,953 | 195,811 | - |
| **Excess (Deficiency) of Revenues Over (Under) Expenditures** | 216,662 | 92,100 | 964 |
| **Other Financing Sources (Uses)** | | | |
| Transfers (out) | - | - | - |
| **Total Other Financing Sources (Uses)** | - | - | - |
| **Net Change in Fund Balances** | 216,662 | 92,100 | 964 |
| Beginning fund balances | 1,313,981 | 92,456 | 12,268 |
| **Ending Fund Balances** | $ 1,530,643 | $ 184,556 | $ 13,232 |

See notes to the financial statements

| Court Security | Recreation Programs | Park Land Dedication | Grant | Total |
|---|---|---|---|---|
| $ - | $ - | $ - | $ - | $ 287,911 |
| - | - | - | - | 387,759 |
| - | 4,457 | - | - | 4,457 |
| 3,747 | - | - | - | 4,711 |
| - | - | 5,399 | - | 12,255 |
| - | - | 159,864 | - | 159,864 |
| 3,747 | 4,457 | 165,263 | - | 856,957 |
| | | | | |
| 409 | - | - | - | 409 |
| - | - | - | - | 64,385 |
| - | 2,424 | - | - | 2,424 |
| - | - | - | - | 195,811 |
| - | - | - | - | 113,568 |
| 409 | 2,424 | - | - | 376,597 |
| | | | | |
| 3,338 | 2,033 | 165,263 | - | 480,360 |
| | | | | |
| (1,500) | - | - | - | (1,500) |
| (1,500) | - | - | - | (1,500) |
| 1,838 | 2,033 | 165,263 | - | 478,860 |
| 17,768 | 3,029 | 220,464 | 9,886 | 1,669,852 |
| $ 19,606 | $ 5,062 | $ 385,727 | $ 9,886 | $ 2,148,712 |

# Town of Trophy Club, Texas

*SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL*

*COURT TECHNOLOGY*

**For the Year Ended September 30, 2020**

| | Original & Final Budget | Court Technology | Variance with Final Budget Positive (Negative) |
|---|---|---|---|
| **Revenues** | | | |
| Fines and fees | $ 2,800 | $ 964 | $ (1,836) |
| **Total Revenues** | 2,800 | 964 | (1,836) |
| **Expenditures** | | | |
| Municipal court | 2,522 | - | 2,522 |
| **Total Expenditures** | 2,522 | - | 2,522 |
| **Revenues Over (Under) Expenditures** | 278 | 964 | 686 |
| **Net Change in Fund Balances** | $ 278 | 964 | $ 686 |
| Beginning fund balances | | 12,268 | |
| **Ending Fund Balances** | | $ 13,232 | |

Notes to Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

# Town of Trophy Club, Texas

*SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL*

*COURT SECURITY*

**For the Year Ended September 30, 2020**

| | Original & Final Budget | Court Security | Variance with Final Budget Positive (Negative) |
|---|---|---|---|
| **Revenues** | | | |
| Fines and fees | $ 2,200 | $ 3,747 | $ 1,547 |
| **Total Revenues** | 2,200 | 3,747 | 1,547 |
| **Expenditures** | | | |
| Municipal court | 1,500 | 409 | 1,091 |
| **Total Expenditures** | 1,500 | 409 | 1,091 |
| **Revenues Over Expenditures** | 700 | 3,338 | 2,638 |
| **Other Financing (Uses)** | | | |
| Transfers (out) | (1,500) | (1,500) | - |
| **Total Other Financing (Uses)** | (1,500) | (1,500) | - |
| **Net Change in Fund Balances** | $ (800) | 1,838 | $ 2,638 |
| Beginning fund balances | | 17,768 | |
| **Ending Fund Balances** | | $ 19,606 | |

Notes to Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

# Town of Trophy Club, Texas

*SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL*

*STREET MAINTENANCE*

**For the Year Ended September 30, 2020**

| | Original & Final Budget | Street Maintenance | Variance with Final Budget Positive (Negative) |
|---|---|---|---|
| **Revenues** | | | |
| Taxes | $ 243,112 | $ 287,911 | $ 44,799 |
| **Total Revenues** | 243,112 | 287,911 | 44,799 |
| **Expenditures** | | | |
| Streets | 222,111 | 195,811 | 26,300 |
| **Total Expenditures** | 222,111 | 195,811 | 26,300 |
| **Revenues Over (Under) Expenditures** | 21,001 | 92,100 | 71,099 |
| **Net Change in Fund Balances** | $ 21,001 | 92,100 | $ 71,099 |
| Beginning fund balances | | 92,456 | |
| **Ending Fund Balances** | | $ 184,556 | |

Notes to Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

# Town of Trophy Club, Texas

## *SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL HOTEL OCCUPANCY TAX*

**For the Year Ended September 30, 2020**

| | Original & Final Budget | Hotel Occupancy Tax | Variance with Final Budget Positive (Negative) |
|---|---|---|---|
| **Revenues** | | | |
| Taxes | $ 550,000 | $ 387,759 | $ (162,241) |
| Investment income | 5,000 | 6,856 | 1,856 |
| Miscellaneous | 7,500 | - | (7,500) |
| **Total Revenues** | 562,500 | 394,615 | (167,885) |
| **Expenditures** | | | |
| General government | 20,000 | - | 20,000 |
| Tourism | 141,925 | 64,385 | 77,540 |
| Capital outlay | 50,000 | 113,568 | (63,568) |
| **Total Expenditures** | 211,925 | 177,953 | 33,972 |
| **Revenues Over Expenditures** | 350,575 | 216,662 | (133,913) |
| **Net Change in Fund Balances** | $ 350,575 | 216,662 | $ (133,913) |
| Beginning fund balances | | 1,313,981 | |
| **Ending Fund Balances** | | $ 1,530,643 | |

Notes to Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

# Town of Trophy Club, Texas

## *SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL RECREATION PROGRAMS*

**For the Year Ended September 30, 2020**

| | Original & Final Budget | Recreation Programs | Variance with Final Budget Positive (Negative) |
|---|---|---|---|
| **Revenues** | | | |
| Charges for services | $ 6,000 | $ 4,457 | $ (1,543) |
| **Total Revenues** | 6,000 | 4,457 | (1,543) |
| **Expenditures** | | | |
| Recreation | 6,000 | 2,424 | 3,576 |
| **Total Expenditures** | 6,000 | 2,424 | 3,576 |
| **Revenues Over Expenditures** | - | 2,033 | 2,033 |
| **Net Change in Fund Balances** | $ - | 2,033 | $ 2,033 |
| Beginning fund balances | | 3,029 | |
| **Ending Fund Balances** | | $ 5,062 | |

Notes to Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

# Town of Trophy Club, Texas

## *SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL DEBT SERVICE FUND*

**For the Year Ended September 30, 2020**

| | Original & Final Budget | Debt Service | Variance with Final Budget Positive (Negative) |
|---|---|---|---|
| **Revenues** | | | |
| Taxes | $ 2,261,454 | $ 2,328,496 | $ 67,042 |
| Intergovernmental | 252,836 | 51,281 | (201,555) |
| Investment income | 20,000 | 9,664 | (10,336) |
| **Total Revenues** | 2,534,290 | 2,389,441 | (144,849) |
| **Expenditures** | | | |
| Debt Service: | | | |
| Principal | 1,978,000 | 1,718,000 | 260,000 |
| Interest and fiscal charges | 741,990 | 637,930 | 104,060 |
| Bond issuance costs | 64,162 | 67,636 | (3,474) |
| **Total Expenditures** | 2,784,152 | 2,423,566 | 360,586 |
| **Revenues Over (Under) Expenditures** | (249,862) | (34,125) | 215,737 |
| **Other Financing Sources (Uses)** | | | |
| Transfers in | 202,933 | 202,933 | - |
| Refunding bonds issued | 3,550,000 | 3,550,000 | - |
| Payment to refunding bond escrow agent | (3,485,838) | (3,485,838) | - |
| **Total Other Financing Sources (Uses)** | 267,095 | 267,095 | - |
| **Net Change in Fund Balances** | $ 17,233 | 232,970 | $ 215,737 |
| Beginning fund balances | | 473,670 | |
| **Ending Fund Balances** | | $ 706,640 | |

Notes to Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

# Town of Trophy Club, Texas

## *SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL CAPITAL PROJECTS FUND*

**For the Year Ended September 30, 2020**

| | Original & Final Budget | Capital Projects | Variance with Final Budget Positive (Negative) |
|---|---|---|---|
| **Revenues** | | | |
| Investment income | $ 50,000 | $ 44,234 | $ (5,766) |
| **Total Revenues** | 50,000 | 44,234 | (5,766) |
| **Expenditures** | | | |
| General government | 8,000 | 6,212 | 1,788 |
| Capital outlay | 1,540,000 | 1,621,448 | (81,448) |
| **Total Expenditures** | 1,548,000 | 1,627,660 | (79,660) * |
| **Revenues Over Expenditures** | (1,498,000) | (1,583,426) | (85,426) |
| **Net Change in Fund Balances** | $ (1,498,000) | (1,583,426) | $ (85,426) |
| Beginning fund balances | | 3,568,072 | |
| **Ending Fund Balances** | | $ 1,984,646 | |

Notes to Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

* Expenditures exceeded appropriations at the legal level of control.

# Town of Trophy Club, Texas

## *SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL PARK LAND DEDICATION*

**For the Year Ended September 30, 2020**

| | Original & Final Budget | Park Land Dedication | Variance with Final Budget Positive (Negative) |
|---|---|---|---|
| **Revenues** | | | |
| Investment income | $ - | $ 5,399 | $ 5,399 |
| Other revenue | - | 159,864 | 159,864 |
| **Total Revenues** | - | 165,263 | 165,263 |
| **Expenditures** | | | |
| Current: | | | |
| Capital outlay | 162,000 | - | 162,000 |
| **Total Expenditures** | 162,000 | - | 162,000 |
| **Revenues Over (Under) Expenditures** | (162,000) | 165,263 | 327,263 |
| **Net Change in Fund Balance** | $ (162,000) | 165,263 | $ 327,263 |
| Beginning fund balance | | 220,464 | |
| **Ending Fund Balance** | | $ 385,727 | |

Notes to Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

TOWN OF
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# Town of Trophy Club, Texas

*COMBINING SCHEDULE OF NET POSITION*
*DISCRETELY PRESENTED COMPONENT UNITS*
**September 30, 2020**

| | 4B Economic Corporation | Tax Increment Reinvestment Zone #1 | Crime Control and Prevention | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | $ 260,878 | $ 31,691 | $ 176,921 | $ 469,490 |
| Receivables, net | 104,828 | - | 51,772 | 156,600 |
| Due from primary government | - | - | - | - |
| **Total Current Assets** | 365,706 | 31,691 | 228,693 | 626,090 |
| Capital assets: | | | | |
| Non-depreciable | 2,538,765 | - | - | 2,538,765 |
| Net depreciable capital assets | 335,252 | - | - | 335,252 |
| **Total Noncurrent Assets** | 2,874,017 | - | - | 2,874,017 |
| **Total Assets** | 3,239,723 | 31,691 | 228,693 | 3,500,107 |
| **Liabilities** | | | | |
| Accounts payable and accrued liabilities | - | - | 5,882 | 5,882 |
| Due to primary government | - | - | - | - |
| Accrued interest payable | 8,402 | - | - | 8,402 |
| Debt due within one year | 110,000 | - | - | 110,000 |
| | 118,402 | - | 5,882 | 124,284 |
| Noncurrent liabilities: | | | | |
| Debt due in more than one year | 2,045,124 | - | - | 2,045,124 |
| Advances from primary government | - | 386,503 | - | 386,503 |
| | 2,045,124 | 386,503 | - | 2,431,627 |
| **Total Liabilities** | 2,163,526 | 386,503 | 5,882 | 2,555,911 |
| **Net Position** | | | | |
| Net investment in capital assets | 718,893 | - | - | 718,893 |
| Restricted | | | | |
| Public safety | - | - | 222,811 | 222,811 |
| Unrestricted | 357,304 | (354,812) | - | 2,492 |
| **Total Net Position** | $ 1,076,197 | $ (354,812) | $ 222,811 | $ 944,196 |

See Notes to Financial Statements.

# Town of Trophy Club, Texas

*COMBINING SCHEDULE OF ACTIVITIES*

*DISCRETELY PRESENTED COMPONENT UNITS*

**For the Year Ended September 30, 2020**

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions |
|---|---|---|---|---|
| **Component Units** | | | | |
| **Governmental Activities** | | | | |
| 4B Economic Corporation | $ 171,811 | $ - | $ - | $ - |
| Tax Increment Reivestment Zone #1 | 13,411 | - | - | - |
| Crime Control and Prevention | 200,994 | - | 5,669 | - |
| **Total Governmental Activities** | 386,216 | - | 5,669 | - |
| **Total Component Units** | $ 386,216 | $ - | $ 5,669 | $ - |
| | | | **General Revenues:** | |
| | | | Property taxes | |
| | | | Sales taxes | |
| | | | Other revenues | |
| | | | **Total General Revenues** | |
| | | | **Change in Net Position** | |
| | | | Beginning Net Position | |
| | | | **Ending Net Position** | |

See Notes to Financial Statements.

| Net (Expense) Revenue and Changes in Net Position | | | |
|---|---|---|---|
| 4B Economic Corporation | Tax Increment Reinvestment Zone #1 | Crime Control and Prevention | Total |
| | | | |
| $ (171,811) | $ - | $ - | $ (171,811) |
| - | (13,411) | - | (13,411) |
| - | - | (195,325) | (195,325) |
| (171,811) | (13,411) | (195,325) | (380,547) |
| $ (171,811) | $ (13,411) | $ (195,325) | $ (380,547) |
| | | | |
| - | 129,579 | - | 129,579 |
| 575,821 | 51,704 | 284,426 | 911,951 |
| 64,106 | - | 3,200 | 67,306 |
| 639,927 | 181,283 | 287,626 | 1,108,836 |
| 468,116 | 167,872 | 92,301 | 728,289 |
| 608,081 | (522,684) | 130,510 | 215,907 |
| $ 1,076,197 | $ (354,812) | $ 222,811 | $ 944,196 |

# Town of Trophy Club, Texas

*BALANCE SHEET*

*DISCRETELY PRESENTED COMPONENT UNITS*

**September 30, 2020**

| | 4B Economic Corporation | Tax Increment Reinvestment Zone #1 | Crime Control and Prevention | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | $ 260,878 | $ 31,691 | $ 176,921 | $ 469,490 |
| Receivables, net | 104,828 | - | 51,772 | 156,600 |
| Due from primary government | - | - | - | - |
| **Total Current Assets** | 365,706 | 31,691 | 228,693 | 626,090 |
| **Liabilities** | | | | |
| **Current Liabilities** | | | | |
| Accounts payable and accrued liabilities | - | - | 5,882 | 5,882 |
| Advances from primary government | - | 386,503 | - | 386,503 |
| **Total Liabilities** | - | 386,503 | 5,882 | 392,385 |
| **Fund Balances** | | | | |
| Restricted for: | | | | |
| Public safety | - | - | 222,811 | 222,811 |
| Unassigned | 365,706 | (354,812) | - | 10,894 |
| **Total Fund Balances** | 365,706 | (354,812) | 222,811 | 233,705 |
| **Total Liabilities and Fund Balances** | $ 365,706 | $ 31,691 | $ 228,693 | $ 626,090 |

See Notes to Financial Statements.

# Town of Trophy Club, Texas

## *RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION DISCRETELY PRESENTED COMPONENT UNITS*

**September 30, 2019**

| | | |
|---|---|---|
| **Fund Balances** | $ | 233,705 |
| **Adjustments for the Statement of Net Position:** | | |
| Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds. | | |
| Capital assets - non-depreciable | | 2,538,765 |
| Capital assets - net depreciable | | 335,252 |
| Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds. | | |
| Accrued interest | | (8,402) |
| Bond discount | | 19,876 |
| Non-current liabilities due in one year | | (110,000) |
| Non-current liabilities due in more than one year | | (2,065,000) |
| **Net Position of the Discretely Presented Component Units** | $ | 944,196 |

# Town of Trophy Club, Texas

*STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES*
*DISCRETELY PRESENTED COMPONENT UNITS*
**For the Year Ended September 30, 2020**

| | 4B Economic Corporation | Tax Increment Reinvestment Zone #1 | Crime Control and Prevention | Total |
|---|---|---|---|---|
| **Revenues** | | | | |
| Sales taxes | $ 575,821 | $ 51,704 | $ 284,426 | $ 911,951 |
| Property taxes | - | 129,579 | - | 129,579 |
| Intergovernmental | - | - | 5,669 | 5,669 |
| Other revenues | 64,106 | - | 3,200 | 67,306 |
| **Total Revenues** | 639,927 | 181,283 | 293,295 | 1,114,505 |
| **Expenditures** | | | | |
| Economic development | 40,354 | - | - | 40,354 |
| Community development | - | 13,411 | - | 13,411 |
| Public safety | - | - | 200,994 | 200,994 |
| Debt service | | | | |
| Principal | 105,000 | - | - | 105,000 |
| Interest and fiscal charges | 96,555 | - | - | 96,555 |
| **Total Expenditures** | 241,909 | 13,411 | 200,994 | 456,314 |
| **Excess of Revenues Over (Under) Expenditures** | 398,018 | 167,872 | 92,301 | 658,191 |
| **Net Change in Fund Balances** | 398,018 | 167,872 | 92,301 | 658,191 |
| Beginning fund balances | (32,312) | (522,684) | 130,510 | (424,486) |
| **Ending Fund Balances** | $ 365,706 | $ (354,812) | $ 222,811 | $ 233,705 |

See Notes to Financial Statements.

# Town of Trophy Club, Texas

## *RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE DISCRETELY PRESENTED COMPONENT UNITS TO THE STATEMENT OF ACTIVITIES*

**For the Year Ended September 30, 2019**

Amounts reported for governmental activities in the statement of activities are different because:

| | | |
|---|---|---|
| Net changes in fund balances | $ | 658,191 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activitites the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. | | |
| Depreciation expense | | (24,531) |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | | |
| Amortization of bond insurance | | (9,038) |
| The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | | |
| Amortization of debt discount | | (1,333) |
| Principal payments | | 105,000 |
| **Change in Net Position of the Discretely Presented Component Units** | $ | 728,289 |

TOWN OF
TROPHY CLUB

# *STATISTICAL SECTION*

This part of the Town of Trophy Club's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

**Contents** **Page**


Financial Trends 120

*These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.*

Revenue Capacity 133

*These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.*

Debt Capacity 140

*These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.*

Demographic and Economic Information 145

*These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.*

Operating Information 148

*These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.*


Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

# Town of Trophy Club, Texas

## *NET POSITION BY COMPONENT*

**Last Ten Fiscal Years (Unaudited)**

**(accrual basis of accounting)**

| | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|
| Governmental activities | | | | |
| Net investment in capital assets | $ 47,668,302 | $ 50,050,855 | $ 54,425,735 | $ 53,586,441 |
| Restricted | 57,471 | 1,191,411 | 315,480 | 564,472 |
| Unrestricted | 2,689,482 | 2,158,558 | 2,896,674 | 3,119,531 |
| **Total governmental activities net position** | $ 50,415,255 | $ 53,400,824 | $ 57,637,889 | $ 57,270,444 |
| Business-type activities | | | | |
| Net investment in capital assets | $ - | $ - | $ 52,848 | $ 560,931 |
| Unrestricted | 12,541 | 46,866 | 230,592 | (4,845) |
| **Total business-type activities net position** | 12,541 | $ 46,866 | $ 283,440 | $ 556,086 |
| Primary government | | | | |
| Net investment in capital assets | $ 47,668,302 | $ 50,050,855 | $ 54,478,583 | $ 54,147,372 |
| Restricted | 57,471 | 1,191,411 | 315,480 | 564,472 |
| Unrestricted | 2,702,023 | 2,205,424 | 3,127,266 | 3,114,686 |
| **Total primary governmental net position** | $ 50,427,796 | $ 53,447,690 | $ 57,921,329 | $ 57,826,530 |

**Source:** Town audited financial records

**Notes:** The Town implemented the GASB Statement No. 34 model of reporting fiscal year ending September 30, 2004.

The Town did not have business-type activities prior to fiscal year 2011.

The Town implemented GASB Statement No. 65 in fiscal year 2014. The amounts for all fiscal years presented have been restated for the effects of this standard.

The Town implemented GASB Statement No. 68 in fiscal year 2015. The amounts for all prior fiscal years have not been restated for the effects of this standard.

The Town implemented GASB Statement No. 75 in fiscal year 2018. The amounts for all prior fiscal years have not been restated for the effects of this standard.

| 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| $ 27,620,857 | $ 26,940,643 | $ 27,125,337 | $ 51,825,867 | $ 52,718,444 | $ 51,061,357 |
| 4,035,428 | 4,433,649 | 4,676,837 | 5,478,991 | 6,112,682 | 6,821,486 |
| 2,279,194 | 1,995,960 | 3,414,190 | 3,594,662 | 4,107,003 | 5,321,576 |
| $ 33,935,479 | $ 33,370,252 | $ 35,216,364 | $ 60,899,520 | $ 62,938,129 | $ 63,204,419 |
| | | | | | |
| $ 513,930 | $ 680,146 | $ 776,097 | $ 877,048 | $ 982,997 | $ 1,121,475 |
| 163,047 | 171,755 | 350,752 | 633,294 | 741,325 | 706,200 |
| $ 676,977 | $ 851,901 | $ 1,126,849 | $ 1,510,342 | $ 1,724,322 | $ 1,827,675 |
| | | | | | |
| $ 28,134,787 | $ 27,620,789 | $ 27,901,434 | $ 52,702,915 | $ 53,701,441 | $ 52,182,832 |
| 4,035,428 | 4,433,649 | 4,676,837 | 5,478,991 | 6,112,682 | 6,821,486 |
| 2,442,241 | 2,167,715 | 3,764,942 | 4,227,956 | 4,848,328 | 6,027,776 |
| $ 34,612,456 | $ 34,222,153 | $ 36,343,213 | $ 62,409,862 | $ 64,662,451 | $ 65,032,094 |

# Town of Trophy Club, Texas

*CHANGES IN NET POSITION*

**Last Ten Fiscal Years (Unaudited)**

**(accrual basis of accounting)**

| | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|
| **Expenses** | | | | |
| Governmental activities: | | | | |
| General government | $ 2,807,237 | $ 1,984,137 | $ 1,902,621 | $ 2,113,664 |
| Public safety | 2,275,778 | 2,392,798 | 2,898,737 | 3,125,577 |
| PID activities | - | - | - | - |
| Parks and recreation | 1,844,573 | 1,564,660 | 2,037,590 | 2,555,844 |
| Community development | 345,804 | 485,614 | 599,872 | 620,209 |
| Streets and infrastructure | 1,372,501 | 1,829,799 | 2,234,140 | 1,764,396 |
| Water and sewer | 617,001 | 92 | 261,106 | 311,677 |
| Storm drainage | - | - | 227,067 | 231,370 |
| Interest on long-term debt | 558,473 | 498,569 | 489,337 | 412,561 |
| **Total governmental activities expenses** | 9,821,367 | 8,755,669 | 10,650,470 | 11,135,298 |
| Business-type activities: | | | | |
| Trophy Club Park | 98,935 | 130,185 | 98,718 | 134,625 |
| Storm Drainage | 156,461 | 96,488 | 121,269 | 103,001 |
| **Total business-type activities expenses** | 255,396 | 226,673 | 219,987 | 237,626 |
| **Total primary government expenses** | 10,076,763 | 8,982,342 | 10,870,457 | 11,372,924 |
| **Program Revenues** | | | | |
| Governmental activities: | | | | |
| Charges for services | | | | |
| Community Development | 792,065 | 1,128,234 | 968,285 | 895,508 |
| Water and sewer | 612,722 | 2,040 | - | - |
| Other | 669,827 | 854,349 | 793,205 | 783,359 |
| Operating grants and contributions | 340,748 | 342,894 | 952,648 | 423,960 |
| Capital grants and contributions | 10,627,098 | 2,682,302 | 4,793,132 | 761,196 |
| **Total governmental activities program revenues** | 13,042,460 | 5,009,819 | 7,507,270 | 2,864,023 |
| Business-type activities: | | | | |
| Charges for services | 253,034 | 325,380 | 506,205 | 550,617 |
| Operating grants and contributions | - | - | - | - |
| Capital grants and contributions | - | - | - | - |
| **Total business-type activities program revenues** | 253,034 | 325,380 | 506,205 | 550,617 |
| **Total primary government program revenues** | $ 13,295,494 | $ 5,335,199 | $ 8,013,475 | $ 3,414,640 |

| 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| $ 1,955,949 | $ 2,728,642 | $ 2,533,298 | $ 3,398,500 | $ 3,650,893 | $ 3,561,521 |
| 2,306,609 | 3,540,703 | 4,607,380 | 4,429,744 | 5,109,461 | 5,139,151 |
| 2,736,000 | 2,122,901 | 48,520 | 2,850 | 26,875 | 50,152 |
| 2,253,982 | 2,652,384 | 2,761,053 | 2,644,329 | 2,871,283 | 2,593,588 |
| 436,090 | 640,404 | 738,659 | 695,637 | 717,215 | 563,312 |
| 1,716,531 | 1,878,119 | 1,728,809 | 1,671,692 | 2,371,290 | 2,052,018 |
| 319,054 | 319,054 | - | - | - | - |
| 234,339 | 234,287 | - | - | - | - |
| 469,923 | 496,019 | 2,365,059 | 2,771,762 | 2,663,286 | 1,639,671 |
| 12,428,477 | 14,612,513 | 14,782,778 | 15,614,514 | 17,410,303 | 15,599,413 |
| 123,445 | 109,325 | 116,477 | 93,677 | 122,186 | 229,670 |
| 205,331 | 174,499 | 120,295 | 129,722 | 131,370 | 93,912 |
| 328,776 | 283,824 | 236,772 | 223,399 | 253,556 | 323,582 |
| 12,757,253 | 14,896,337 | 15,019,550 | 15,837,913 | 17,663,859 | 15,922,995 |
| 702,578 | 605,558 | - | - | - | - |
| - | - | - | - | - | - |
| 2,669,738 | 2,593,969 | 3,705,774 | 3,982,406 | 3,266,108 | 1,797,916 |
| 550,495 | 141,071 | 581,633 | 443,752 | 1,392,787 | 2,056,622 |
| 1,254,997 | - | - | - | 2,127,040 | - |
| 5,177,808 | 3,340,598 | 4,287,407 | 4,426,158 | 6,785,935 | 3,854,538 |
| 484,874 | 466,934 | 596,520 | 592,322 | 539,295 | 619,011 |
| - | 61,106 | - | 94,521 | - | - |
| - | - | - | - | 3,360 | 68,146 |
| 484,874 | 528,040 | 596,520 | 686,843 | 542,655 | 687,157 |
| $ 5,662,682 | $ 3,868,638 | $ 4,883,927 | $ 5,113,001 | $ 7,328,590 | $ 4,541,695 |

# Town of Trophy Club, Texas

*CHANGES IN NET POSITION*

**Last Ten Fiscal Years (Unaudited)**

**(accrual basis of accounting)**

| | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|
| **Net (Expenses) Revenue** | | | | |
| Governmental activities | $ 3,221,093 | $ (3,745,850) | $ (3,143,200) | $ (8,271,275) |
| Business-type activities | (2,362) | 98,707 | 286,218 | 312,991 |
| **Total primary government net expenses** | $ 3,218,731 | $ (3,647,143) | $ (2,856,982) | $ (7,958,284) |
| **General Revenues** | | | | |
| **and Other Changes in Net Position** | | | | |
| Governmental activities: | | | | |
| Taxes: | | | | |
| Property taxes | 4,480,999 | 4,897,615 | 5,334,140 | 5,955,398 |
| Sales and mixed beverage taxes | 631,561 | 754,105 | 781,054 | 965,969 |
| Other taxes | 648,400 | 706,065 | 828,338 | 1,020,554 |
| Investment income | 15,162 | 7,983 | 7,193 | 4,973 |
| Miscellaneous revenues | 333,497 | 301,269 | 379,896 | 185,922 |
| Special items | - | - | - | - |
| Transfers | 75,819 | 64,382 | 49,644 | 28,607 |
| **Total governmental activities** | 6,185,438 | 6,731,419 | 7,380,265 | 8,161,423 |
| Business-type activities: | | | | |
| Investment income | 78 | - | - | 25 |
| Special items | - | - | - | 26,001 |
| Transfers | (75,819) | (64,382) | (49,644) | (28,607) |
| **Total business-type activities** | (75,741) | (64,382) | (49,644) | (2,581) |
| **Total primary government** | $ 6,109,697 | $ 6,667,037 | $ 7,330,621 | $ 8,158,842 |
| **Change in Net Position** | | | | |
| Governmental activities | $ 9,406,531 | $ 2,985,569 | $ 4,237,065 | $ (109,852) |
| Business-type activities | (78,103) | 34,325 | 236,574 | 310,410 |
| **Total primary government** | $ 9,328,428 | $ 3,019,894 | $ 4,473,639 | $ 200,558 |

**Source:** Town audited financial records

**Notes:** The Town implemented the GASB 34 model of reporting fiscal year ending September 30, 2004.
The Town did not have business-type activities prior to fiscal year 2011.
The Town implemented GASB Statement No. 65 in fiscal year 2014. The amounts for all fiscal years presented have been restated for the effects of this standard.
The Town implemented GASB No. 68 in fiscal year 2015. The amounts for all prior fiscal years have not been restated for the effects of this standard.
The Town implemented GASB No. 75 in fiscal year 2018. The amounts for all prior fiscal years have not been restated for the effects of this standard.

| 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| $ (7,250,669) | $ (11,271,915) | $ (10,495,371) | $ (11,188,356) | $ (10,624,368) | $ (11,744,875) |
| 156,098 | 244,216 | 359,748 | 463,444 | 289,099 | 363,575 |
| $ (7,094,571) | $ (11,027,699) | $ (10,135,623) | $ (10,724,912) | $ (10,335,269) | $ (11,381,300) |
| | | | | | |
| 7,447,069 | 7,714,564 | 8,269,141 | 8,412,231 | 8,974,426 | 9,347,776 |
| 1,104,298 | 1,217,693 | 1,306,243 | 1,150,073 | 1,271,864 | 1,445,994 |
| 1,027,407 | 1,255,995 | 1,376,352 | 1,486,952 | 1,581,721 | 1,238,302 |
| 11,331 | 65,709 | 146,015 | 259,220 | 512,922 | 183,858 |
| 100,202 | 382,521 | 908,540 | 197,567 | 235,107 | 414,384 |
| - | - | - | - | - | (882,082) |
| 35,350 | 70,206 | 86,887 | 87,209 | 86,937 | 262,933 |
| 9,725,657 | 10,706,688 | 12,093,178 | 11,593,252 | 12,662,977 | 12,011,165 |
| | | | | | |
| 143 | 914 | 2,087 | 7,258 | 11,818 | 2,711 |
| - | - | - | - | - | - |
| (35,350) | (70,206) | (86,887) | (87,209) | (86,937) | (262,933) |
| (35,207) | (69,292) | (84,800) | (79,951) | (75,119) | (260,222) |
| $ 9,690,450 | $ 10,637,396 | $ 12,008,378 | $ 11,513,301 | $ 12,587,858 | $ 11,750,943 |
| | | | | | |
| $ 2,474,988 | $ (565,227) | $ 1,597,807 | $ 404,896 | $ 2,038,609 | $ 266,290 |
| 120,891 | 174,924 | 274,948 | 383,493 | 213,980 | 103,353 |
| $ 2,595,879 | $ (390,303) | $ 1,872,755 | $ 788,389 | $ 2,252,589 | $ 369,643 |

# Town of Trophy Club, Texas

*FUND BALANCES OF GOVERNMENTAL FUNDS*

**Last Ten Fiscal Years (Unaudited)**

**(modified accrual basis of accounting)**

| | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|
| General Fund | | | | |
| Nonspendable for prepaids | $ 2,620 | $ 796 | $ 796 | $ 796 |
| Nonspendable for advances | - | - | - | - |
| Assigned for capital expenditures | 228,138 | 228,138 | 228,138 | 228,138 |
| Commtted for Police | - | - | - | - |
| Unassigned | 2,412,034 | 2,902,168 | 2,398,330 | 2,816,087 |
| Reserved | - | - | - | - |
| Unreserved | - | - | - | - |
| **Total general fund** | $ 2,642,792 | $ 3,131,102 | $ 2,627,264 | $ 3,045,021 |
| All Other Governmental Funds | | | | |
| Nonspendable | $ - | $ - | $ - | $ - |
| Restricted for: | | | | |
| Debt Service | 85,388 | 94,267 | 119,722 | 118,092 |
| Capital Projects | 1,599,988 | 996,425 | 2,065,759 | 4,505,273 |
| Court | - | 49,962 | 60,927 | 46,253 |
| Public Safety | - | - | 23,007 | 93,746 |
| Street Maintenance | 34,750 | 75,999 | 46,700 | 39,915 |
| Tourism | 1,890 | 1,321 | 87,225 | 283,481 |
| Parks | - | - | - | - |
| PID No. 1 | - | - | - | |
| Town Anniversary | 2,114 | 2,114 | 2,114 | 2,114 |
| Water Services | 12,788 | - | - | - |
| Committed for: | | | | |
| Recreation programs | - | - | - | 2,812 |
| Unassigned | (26,477) | (257,350) | (11,517) | (6,333) |
| Reserved for: | | | | |
| Debt service | - | - | - | - |
| Prepaid items | - | - | - | - |
| Encumbrances | - | - | - | - |
| Capital projects funds | - | - | - | - |
| Unreserved, reported in: | | | | |
| Special revenue funds | - | - | - | - |
| **Total all other governmental funds** | $ 1,710,441 | $ 962,738 | $ 2,393,937 | $ 5,085,353 |

**Source:** Town audited financial records

(1) The Town implemented the GASB 54 during fiscal year ended September 30, 2011.

| 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| $ 1,816 | $ 54,397 | $ 91,278 | $ 44,474 | $ 3,184 | $ 2,609 |
| - | - | - | 386,503 | 386,503 | 386,503 |
| 228,138 | - | - | - | - | - |
| 200,000 | 189,475 | 183,858 | 182,718 | 177,130 | 169,592 |
| 3,261,235 | 3,950,290 | 4,335,983 | 4,826,823 | 5,256,436 | 6,988,719 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| $ 3,691,189 | $ 4,194,162 | $ 4,611,119 | $ 5,440,518 | $ 5,823,253 | $ 7,547,423 |
| | | | | | |
| $ - | $ - | $ - | $ 205,668 | $ - | $ - |
| | | | | | |
| 118,542 | 143,174 | 309,043 | 262,277 | 473,670 | 706,640 |
| 1,694,546 | 8,764,936 | 6,285,515 | 5,764,419 | 3,568,072 | 1,984,646 |
| 43,422 | 39,668 | 37,819 | 37,155 | 30,036 | 32,838 |
| 134,265 | 210,189 | 71,259 | 9,886 | 9,886 | 9,886 |
| 65,306 | - | 92,856 | 29,337 | 92,457 | 184,556 |
| 475,748 | 564,363 | 399,883 | 790,686 | 1,313,981 | 1,530,643 |
| - | - | - | 467,425 | 220,464 | 385,727 |
| 4,229,068 | 3,869,425 | 3,832,851 | 3,882,225 | 3,972,188 | 3,971,196 |
| 3,497 | - | - | - | - | - |
| - | - | - | - | - | - |
| | | | | | |
| 3,395 | 2,269 | 7,307 | 3,655 | 3,028 | 5,062 |
| (6,327) | (5,017) | - | - | - | - |
| | | | | | |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| $ 6,761,462 | $ 13,589,007 | $ 11,036,533 | $ 11,452,733 | $ 9,683,782 | $ 8,811,194 |

# Town of Trophy Club, Texas

## *CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS*

**Last Ten Fiscal Years (Unaudited)**

**(modified accrual basis of accounting)**

| | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|
| **Revenues** | | | | |
| Taxes | | | | |
| Ad valorem taxes | $ 4,457,829 | $ 4,916,886 | $ 5,330,778 | $ 5,908,764 |
| Sales and mixed beverage taxes | 631,561 | 754,105 | 781,054 | 965,969 |
| Franchise taxes | 608,806 | 693,722 | 718,952 | 772,621 |
| Occupancy | 22,644 | 20,543 | 108,170 | 235,796 |
| Special assessments | - | - | - | - |
| Licenses, permits & fees | 798,520 | 1,128,234 | 968,285 | 904,251 |
| Intergovernmental | 375,749 | 342,894 | 888,896 | 133,004 |
| Charges for services | 1,140,556 | 670,186 | 592,146 | 611,781 |
| Fines & Fees | 167,461 | 157,143 | 171,579 | 126,111 |
| Contributions | 265,426 | 322,536 | 1,472 | - |
| Investment Income | 15,162 | 7,983 | 7,193 | 4,974 |
| Grant revenue | 318,954 | 1,400,252 | 490,850 | 61,383 |
| Miscellaneous | 335,796 | 82,057 | 388,894 | 485,380 |
| **Total revenues** | 9,138,464 | 10,496,541 | 10,448,269 | 10,210,034 |
| **Expenditures** | | | | |
| Current: | | | | |
| General government | 1,763,048 | 1,968,287 | 1,844,939 | 1,947,650 |
| PID activities | - | - | - | - |
| Public safety | 2,237,263 | 2,408,103 | 2,905,923 | 2,918,484 |
| Highways & streets | 811,854 | 2,017,548 | 1,067,962 | 517,964 |
| Community development | 189,425 | 481,473 | 576,306 | 587,760 |
| Water and sewer | 617,001 | 92 | - | - |
| Culture & recreation | 1,523,133 | 1,659,656 | 1,491,496 | 1,853,811 |
| Debt Service: | | | | |
| Principal | 803,000 | 885,000 | 2,294,000 | 998,000 |
| Interest | 551,955 | 475,266 | 456,417 | 398,872 |
| Other charges | 74,324 | 21,200 | 29,367 | 75,100 |
| Capital Outlay | 5,390,630 | 1,403,691 | 237,936 | 885,436 |
| **Total expenditures** | 13,961,633 | 11,320,316 | 10,904,346 | 10,183,077 |
| **Excess of revenues over (under) expenditures** | (4,823,169) | (823,775) | (456,077) | 26,957 |

| 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| $ 7,469,912 | $ 7,724,244 | $ 8,132,670 | $ 8,600,999 | $ 8,967,795 | $ 9,359,847 |
| 1,104,298 | 1,217,694 | 1,306,243 | 1,150,073 | 1,271,864 | 1,445,994 |
| 811,052 | 953,622 | 888,863 | 867,446 | 911,738 | 850,543 |
| 264,708 | 302,374 | 487,489 | 619,506 | 669,983 | 387,759 |
| 1,917,636 | 1,986,516 | 2,129,321 | 2,166,167 | 2,176,400 | 2,187,165 |
| 697,378 | 598,586 | 333,780 | 614,931 | 499,302 | 479,513 |
| 326,195 | 26,237 | 581,633 | 608,910 | 724,333 | 2,056,622 |
| 293,011 | 310,735 | 820,530 | 767,237 | 769,962 | 296,947 |
| 580,648 | 362,409 | 355,504 | 497,078 | 312,267 | 132,877 |
| - | - | - | - | - | - |
| 11,330 | 65,708 | 146,015 | 259,213 | 512,922 | 183,858 |
| 147,691 | 7,942 | - | - | - | - |
| 100,202 | 407,418 | 158,540 | 715,535 | 402,894 | 386,615 |
| 13,724,061 | 13,963,485 | 15,340,588 | 16,867,095 | 17,219,460 | 17,767,740 |
| | | | | | |
| 2,273,447 | 2,349,120 | 2,191,140 | 2,404,704 | 3,164,364 | 2,584,454 |
| 314,344 | 81,793 | 44,984 | 2,850 | 26,875 | 50,152 |
| 2,896,632 | 3,187,064 | 4,117,992 | 4,441,873 | 4,872,242 | 4,977,216 |
| 516,035 | 566,927 | 179,448 | 340,910 | 414,938 | 388,419 |
| 479,477 | 576,508 | 582,259 | 449,178 | 568,239 | 491,941 |
| - | - | - | - | - | - |
| 1,799,204 | 1,892,065 | 1,991,571 | 2,708,827 | 2,250,599 | 2,380,448 |
| | | | | | |
| 1,438,000 | 2,153,974 | 1,567,004 | 1,675,350 | 1,723,652 | 3,081,206 |
| 2,504,235 | 2,055,694 | 2,555,580 | 2,791,600 | 2,805,764 | 1,546,749 |
| 42,736 | 1,340,786 | 74,591 | 5,235 | 5,900 | 67,636 |
| 3,466,307 | 3,395,509 | 9,146,919 | 1,239,065 | 2,860,040 | 1,735,016 |
| 15,730,417 | 17,599,440 | 22,451,488 | 16,059,592 | 18,692,613 | 17,303,237 |
| | | | | | |
| (2,006,356) | (3,635,955) | (7,110,900) | 807,503 | (1,473,153) | 464,503 |

# Town of Trophy Club, Texas

*CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS*

**Last Ten Fiscal Years (Unaudited)**

**(modified accrual basis of accounting)**

| | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Proceeds from capital lease obligation | - | - | - | - |
| Proceeds from contractual obligations | - | - | - | 2,500,000 |
| Sale of general capital assets | - | - | - | - |
| Insurance recoveries | - | - | - | - |
| Proceeds from bonds | 2,790,000 | 500,000 | 1,300,000 | 600,000 |
| Premium on bonds | 118,904 | | 33,794 | 50,329 |
| Payment to refunded bond escrow agent | (2,825,503) | - | - | - |
| Transfer from other funds | 185,835 | 191,878 | 876,553 | 55,741 |
| Transfer to other funds | (110,016) | (127,496) | (826,909) | (27,134) |
| **Total other financing sources (uses)** | 159,220 | 564,382 | 1,383,438 | 3,178,936 |
| **NET CHANGE IN FUND BALANCES** | $ (4,663,949) | $ (259,393) | $ 927,361 | $ 3,205,893 |
| Debt service as a percentage of non-capital expenditures | 15.81% | 13.72% | 25.79% | 15.02% |

Source: Town audited financial records

| 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| - | - | - | 264,732 | - | - |
| - | 4,210,000 | - | - | - | - |
| - | - | - | - | - | 32,213 |
| - | - | - | - | - | 27,769 |
| 2,030,000 | 31,399,979 | 4,445,000 | - | - | 3,550,000 |
| - | 5,020,788 | 128,317 | - | - | - |
| (2,026,710) | (29,734,500) | - | - | - | (3,485,838) |
| 63,350 | 493,947 | 993,250 | 298,457 | 89,937 | 264,433 |
| (28,000) | (423,741) | (906,363) | (63,817) | (3,000) | (1,500) |
| 38,640 | 10,966,473 | 4,660,204 | 499,372 | 86,937 | 387,077 |
| $ (1,967,716) | $ 7,330,518 | $ (2,450,696) | $ 1,306,875 | $ (1,386,216) | $ 851,580 |
| 32.14% | 39.08% | 31.55% | 31.40% | 28.65% | 30.78% |

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# Town of Trophy Club, Texas

## *ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY*

**Last Ten Fiscal Years (Unaudited)**

| Fiscal Year | Estimated Market Value: Real Property | Estimated Market Value: Non Real Property | Less: Tax Exempt Property | Total Taxable Assessed Value | Total Direct Tax Rate |
|---|---|---|---|---|---|
| 2011 | $ 901,333,893 | $ 24,792,616 | $ 52,794,045 | $ 873,332,464 | $ 0.51500 |
| 2012 | 971,822,347 | 23,862,338 | 54,212,507 | 941,472,178 | 0.53000 |
| 2013 | 1,068,605,127 | 24,460,719 | 59,911,204 | 1,033,154,642 | 0.51854 |
| 2014 | 1,248,215,265 | 25,845,178 | 60,160,746 | 1,213,899,697 | 0.49930 |
| 2015 | 1,426,754,517 | 20,304,259 | 64,382,412 | 1,382,676,364 | 0.49000 |
| 2016 | 1,618,577,881 | 28,301,916 | 68,622,814 | 1,578,256,983 | 0.48400 |
| 2017 | 1,816,191,857 | 29,805,970 | 73,301,474 | 1,772,696,353 | 0.47300 |
| 2018 | 1,986,456,291 | 32,335,529 | 83,492,349 | 1,935,299,471 | 0.45144 |
| 2019 | 2,146,374,412 | 34,488,137 | 79,947,523 | 2,100,915,026 | 0.44644 |
| 2020 | 2,245,060,094 | 34,337,805 | 173,637,626 | 2,105,760,273 | 0.44644 |

Source: Denton & Tarrant County Central Appraisal District Certified Roll

Note: Total Taxable Assessed Value is not adjusted for tax ceilings.

# Town of Trophy Club, Texas

## *DIRECT AND OVERLAPPING PROPERTY TAX RATES*

**Last Ten Fiscal Years (Unaudited)**

| | Town of Trophy Club | | | Overlapping Rates | | | |
|---|---|---|---|---|---|---|---|
| Fiscal Year | Operating Millage | Debt Service Millage | Total Town Millage | Northwest ISD | Trophy Club MUD #1 | Trophy Club MUD #2 | Denton County |
| 2011 | $ 0.397220 | $ 0.117780 | $ 0.515000 | $ 1.375000 | $ 0.195000 | $ - | $ 0.273900 |
| 2012 | 0.415013 | 0.114987 | 0.530000 | 1.375000 | 0.175000 | - | 0.277357 |
| 2013 | 0.403543 | 0.115000 | 0.518543 | 1.375000 | 0.133390 | - | 0.282867 |
| 2014 | 0.384300 | 0.115000 | 0.499300 | 1.452500 | 0.133390 | - | 0.284914 |
| 2015 | 0.380000 | 0.110000 | 0.490000 | 1.452500 | 0.133390 | - | 0.272200 |
| 2016 | 0.374000 | 0.110000 | 0.484000 | 1.452500 | 0.131140 | - | 0.262000 |
| 2017 | 0.363000 | 0.110000 | 0.473000 | 1.452500 | 0.127220 | - | 0.248409 |
| 2018 | 0.341442 | 0.110000 | 0.451442 | 1.490000 | 0.120210 | - | 0.237181 |
| 2019 | 0.336442 | 0.110000 | 0.446442 | 1.490000 | 0.116180 | - | 0.225574 |
| 2020 | 0.336442 | 0.110000 | 0.446442 | 1.420000 | 0.112730 | - | 0.225278 |

Source: Denton & Tarrant County Appraisal Districts

(1) The Town implemented the GASB 34 model of reporting fiscal year ending September 30, 2004.

| Overlapping Rates | | | | | | Total |
|---|---|---|---|---|---|---|
| Trophy Club PID #1 ESD | Tarrant County | Tarrant County College | Tarrant County Hospital | Total MUD #1 Millage | Total PID #1 ESD Millage | Direct & Overlapping Rates |
| $ 0.109250 | $ 0.264000 | $ 0.137640 | $ 0.227897 | $ 2.987570 | $ 2.390930 | $ 3.097687 |
| 0.109250 | 0.264000 | 0.148970 | 0.227897 | 2.994564 | 2.406594 | 3.107474 |
| 0.104000 | 0.264000 | 0.149500 | 0.227897 | 2.942300 | 2.395410 | 3.055197 |
| 0.087380 | 0.264000 | 0.149500 | 0.227897 | 2.985984 | 2.439094 | 3.098881 |
| 0.077270 | 0.264000 | 0.149500 | 0.227897 | 2.948860 | 2.401970 | 3.066757 |
| 0.072220 | 0.264000 | 0.149500 | 0.227897 | 2.925360 | 2.380720 | 3.043257 |
| 0.074450 | 0.254000 | 0.144730 | 0.227897 | 2.884309 | 2.358359 | 3.002206 |
| 0.068700 | 0.244000 | 0.140060 | 0.224429 | 2.861593 | 2.357323 | 2.976022 |
| 0.067190 | 0.234000 | 0.136070 | 0.224429 | 2.825456 | 2.339206 | 2.939885 |
| 0.067380 | 0.234000 | 0.136070 | 0.224429 | 2.746000 | 2.269100 | 2.866329 |

# Town of Trophy Club, Texas

*PRINCIPAL PROPERTY TAXPAYERS*

**Current Fiscal Year and Nine Years Ago (Unaudited)**

| | 2020 | | |
|---|---|---|---|
| **Taxpayer** | **Taxable Assessed Value** | **Rank** | **Percentage of Total Taxable Assessed Value** (1) |
| Trophy Club 12 LLC | $ 17,000,000 | 1 | 0.81% |
| Trophy Club Equities LLC | 8,449,780 | 2 | 0.40% |
| Oncor Electric Delivery Co | 8,049,710 | 3 | 0.38% |
| 4663 Okeechobee Blvd. and Palm Beach Holdings | 7,690,897 | 4 | 0.37% |
| Clubcorp Colf TEX LP P/S | 6,479,633 | 5 | 0.31% |
| Armore II - Quorum LLC | 6,439,600 | 6 | 0.31% |
| NAP Trophy Club LP | 6,360,568 | 7 | 0.30% |
| JLIS LLC | 5,167,700 | 8 | 0.25% |
| Scott, Larry P & Laurie Ann LLC | 3,205,207 | 9 | 0.15% |
| Wonderland Plaza | 3,090,538 | 10 | 0.15% |
| Regency Centers LP | - | n/a | n/a |
| Goodman Family of Builders LP | - | n/a | n/a |
| BDMR Development LLC | - | n/a | n/a |
| Staandard Pacific of Texas LP | - | n/a | n/a |
| High Trophy Development LLC | - | n/a | n/a |
| Lennar Homes of Texas | - | n/a | n/a |
| Randall's Food & Drug | - | n/a | n/a |
| TC Plantations LTD P/S | - | n/a | n/a |
| Totals | $ 71,933,633 | | 3.41% |

Source: Denton and Tarrant County Central Appraisal District

(1) Total taxable value including real and personal property for tax year 2018 (fiscal year 2017) is $2,100,915,026

(2) Total taxable value including real and personal property for tax year 2010 (fiscal year 2009) is $840,801,505

| 2011 | | |
|---|---|---|
| Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value (2) |
| $ - | n/a | n/a |
| - | n/a | n/a |
| 4,726,100 | 8 | 0.56% |
| 5,000,000 | 7 | 0.59% |
| 4,397,545 | 9 | 0.52% |
| - | n/a | n/a |
| - | n/a | n/a |
| - | n/a | n/a |
| - | n/a | n/a |
| - | n/a | n/a |
| 7,094,526 | 1 | 0.84% |
| 6,272,995 | 2 | 0.75% |
| 6,030,947 | 3 | 0.72% |
| 5,987,095 | 4 | 0.71% |
| 5,807,077 | 5 | 0.69% |
| 5,184,902 | 6 | 0.62% |
| 2,996,994 | 10 | 0.36% |
| - | n/a | n/a |
| $ 53,498,181 | | 6.35% |

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# Town of Trophy Club, Texas

*PROPERTY TAX LEVIES AND COLLECTIONS*

**Last Ten Fiscal Years (Unaudited)**

| Fiscal Year | Total Tax Levy for Fiscal Year | Collected within the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | |
|---|---|---|---|---|---|---|
| | | Amount | Percentage of Levy | | Amount | Percentage of Levy |
| 2011 | $ 4,446,960 | $ 4,414,699 | 99.27% | $ 25,723 | $ 4,440,422 | 99.85% |
| 2012 | 4,858,136 | 4,838,092 | 99.59% | 13,713 | 4,851,805 | 99.87% |
| 2013 | 5,259,719 | 5,244,699 | 99.71% | 7,742 | 5,252,441 | 99.86% |
| 2014 | 5,904,591 | 5,869,976 | 99.41% | 26,189 | 5,896,165 | 99.86% |
| 2015 | 6,665,433 | 6,642,558 | 99.66% | 14,249 | 6,656,806 | 99.87% |
| 2016 | 7,477,394 | 7,456,542 | 99.72% | 13,166 | 7,469,708 | 99.90% |
| 2017 | 8,188,616 | 8,153,915 | 99.58% | 10,781 | 8,164,696 | 99.71% |
| 2018 | 8,627,946 | 8,614,737 | 99.85% | 2,176 | 8,616,913 | 99.87% |
| 2019 | 9,027,118 | 8,992,174 | 99.61% | 34,943 | 9,027,117 | 100.00% |
| 2020 | 9,504,473 | 9,400,652 | 98.91% | - | 9,400,652 | 98.91% |

Source: Denton County Tax Assessor Collector

# Town of Trophy Club, Texas

*RATIOS OF OUTSTANDING DEBT BY TYPE*

**Last Ten Fiscal Years (Unaudited)**

| Fiscal Year | Governmental Activities | | | | |
|---|---|---|---|---|---|
| | General Obligation Bonds | Certificates of Obligation | Special Assessment Bonds | Premium | Capital Leases |
| 2011 | $ 11,833,750 | $ 709,000 | $ - | $ - | $ 30,570 |
| 2012 | 11,505,149 | 634,000 | - | - | - |
| 2013 | 9,464,076 | 1,698,419 | - | - | - |
| 2014 | 9,085,567 | 4,212,132 | - | - | - |
| 2015 | 8,344,695 | 4,029,431 | 26,481,000 | - | - |
| 2016 | 12,375,000 | 7,961,000 | 25,710,479 | 4,916,763 | - |
| 2017 | 11,450,000 | 12,068,000 | 25,406,475 | 4,754,458 | - |
| 2018 | 10,640,000 | 11,415,000 | 25,285,577 | 4,457,420 | 173,280 |
| 2019 | 9,805,000 | 10,637,000 | 25,260,000 | 4,160,382 | 88,205 |
| 2020 | 9,005,000 | 9,789,000 | 23,985,000 | 3,872,927 | - |

(1) Personal Income and population found on Table 15 of the Statistical Section

| Business-Type Activities | | | | |
|---|---|---|---|---|
| Certificates of Obligation | Premium | Total Primary Government | Percentage of Personal Income (2) | Per Capita |
| - | $ - | $ 12,573,320 | 3.69% | $ 1,531 |
| - | - | 12,139,149 | 3.03% | 1,348 |
| 1,743,456 | - | 12,905,951 | 2.86% | 1,199 |
| 1,599,038 | - | 14,896,737 | 3.07% | 1,293 |
| 1,454,619 | - | 40,309,745 | 7.62% | 3,348 |
| 1,275,000 | 30,200 | 52,268,442 | 9.35% | 4,200 |
| 1,130,000 | 25,779 | 54,834,712 | 9.26% | 4,234 |
| 980,000 | 21,358 | 52,972,635 | 8.06% | 3,828 |
| 825,000 | 16,939 | 50,792,526 | 7.94% | 4,106 |
| 670,000 | 12,522 | 47,334,449 | 6.98% | 3,802 |

# Town of Trophy Club, Texas

## *RATIO OF GENERAL BONDED DEBT OUTSTANDING*

**Last Ten Fiscal Years (Unaudited)**

| Fiscal Year | General Obligation Bonds | Certificates of Obligation | Special Assessment Bonds | Percentage of Actual Taxable Value of Property[a] | Per Capita[b] |
|---|---|---|---|---|---|
| 2011 | $ 11,833,750 | $ 709,000 | $ - | 1.44% | $ 1,528 |
| 2012 | 11,505,149 | 634,000 | - | 1.29% | 1,348 |
| 2013 | 9,464,076 | 1,698,419 | - | 1.08% | 1,037 |
| 2014 | 9,085,567 | 4,212,132 | - | 1.10% | 1,154 |
| 2015 | 8,344,695 | 4,029,431 | - | 0.89% | 1,028 |
| 2016 | 12,375,000 | 7,961,000 | 25,710,479 | 1.29% | 1,634 |
| 2017 | 11,450,000 | 12,068,000 | 25,406,475 | 1.33% | 1,890 |
| 2018 | 10,640,000 | 11,415,000 | 25,285,577 | 1.14% | 1,594 |
| 2019 | 9,805,000 | 10,637,000 | 25,260,000 | 0.97% | 1,653 |
| 2020 | 9,005,000 | 9,789,000 | 23,985,000 | 0.89% | 1,509 |

[a] Property values are from table 5.

[b] Populations are from table 12.

# Town of Trophy Club, Texas

*DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT*

**As of September 30, 2020 (Unaudited)**

| Governmental Unit | Debt Principal Outstanding | Estimated Percentage Applicable | Estimated Share of Overlapping Debt |
|---|---|---|---|
| Debt repaid with property taxes: | | | |
| Denton County | $ 611,835,000 | 2.08% | $ 12,755,643 |
| Northwest Independent School District | 1,065,295,272 | 5.32273% | 56,702,754 |
| Tarrant County | 240,445,000 | 0.07% | 179,963 |
| Tarrant County College District | 264,175,000 | 0.00% | - |
| Tarrant County Hospital District | 16,135,000 | 0.07% | 12,076 |
| Trophy Club MUD #1 | 7,205,000 | 0.60% | 42,918 |
| Subtotal, overlapping debt | $ 2,205,090,272 | | $ 69,693,354 |
| Town of Trophy Club, direct debt | 49,862,382 | 100.00% | 49,862,382 |
| Total Direct and Overlapping Debt Principal | $ 2,254,952,654 | | $ 119,555,736 |

**Note:** Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Town. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the Town of Trophy Club. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Source: Most recent Texas Municipal Reports (TMR) published by the Municipal Advisory Council of Texas.

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# Town of Trophy Club, Texas

## *DEMOGRAPHIC AND ECONOMIC STATISTICS*

### Last Ten Fiscal Years

| Year | Estimated Population[a] | Total Households[a] | Median Household Income[b] | Total Personal Income | Unemployment Rate[c] |
|---|---|---|---|---|---|
| 2011 | 8,210 | 3,179 | $ 107,150 | $ 340,629,850 | 7.09 |
| 2012 | 9,005 | 3,379 | 118,595 | 400,732,505 | 6.10 |
| 2013 | 10,760 | 3,680 | 122,539 | 450,943,520 | 5.65 |
| 2014 | 11,525 | 3,891 | 124,593 | 484,791,363 | 4.72 |
| 2015 | 12,040 | 4,153 | 127,391 | 529,054,823 | 3.88 |
| 2016 | 12,446 | 4,342 | 128,750 | 559,032,500 | 3.66 |
| 2017 | 12,950 | 4,435 | 133,457 | 591,881,795 | 3.38 |
| 2018 | 13,838 | 4,723 | 139,156 | 657,233,788 | 3.40 |
| 2019 | 12,369 | 4,490 | 142,483 | 639,748,670 | 3.10 |
| 2020 | 12,451 | 4,600 | 147,477 | 678,394,200 | 3.10 |

Sources: a Estimated population using residential water connections

b United States Census Bureau

c Federal Bank of St. Louis Economic Research; Denton and Tarrant Counties' data averaged 2018.

# Town of Trophy Club, Texas

*PRINCIPAL EMPLOYERS*

**Current Year and Seven Years Ago (1)**

**2020**

| Employer | Employees | Percentage of Total Town Employment |
|---|---|---|
| Northwest Independent School District | 414 | 20.70% |
| Baylor Medical Center at Trophy Club | 230 | 10.75% |
| Trophy Club Country Club | 215 | 11.50% |
| Town of Trophy Club[4] | 152 | 7.60% |
| Tom Thumb | 127 | 6.35% |
| HG Sply Co. | 67 | 3.35% |
| Fellowship United Methodist Church | 39 | 1.95% |
| Premier Academy - Trophy Club | 33 | 1.65% |
| Trophy Lake Academy | 30 | 1.50% |
| Church at Trophy Club Lake | 30 | 1.50% |
| Cristina's Mexican Restaurant | 28 | 1.40% |
| **Total** | 1,365 | 68.25% |

(1) Employment data is not available prior to 2013.

(2) Staff estimated total Town employment of 2,000 for fiscal year 2019

(3) Staff estimated total Town employment of 1000 for fiscal year 2013

(4) Includes Full Time, Part Time, and Seasonal

| | 2013 | |
|---|---|---|
| **Employer** | **Employees** | **Percentage of Total Town Employment** |
| Northwest Independent School District | 353 | 29.66% |
| Trophy Club Country Club | 169 | 14.20% |
| Baylor Medical Center at Trophy Club | 130 | 10.92% |
| Tom Thumb | 97 | 8.15% |
| Town of Trophy Club | 86 | 7.23% |
| Cristina's Mexican Restaurant | 47 | 3.95% |
| Respiratory Sleep Solutions | 42 | 3.53% |
| Premier Academy - Trophy Club | 40 | 3.36% |
| Fellowship United Methodist Church | 39 | 3.28% |
| Church at Trophy Lake | 30 | 2.52% |
| | 1,033 | 86.81% |

# Town of Trophy Club, Texas

## *FULL-TIME TOWN GOVERNMENT EMPLOYEES BY FUNCTION*

**Last Ten Fiscal Years (Unaudited)**

| Function | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|
| General Government and Adminstration | 12 | 13 | 12 | 14 | 13 |
| Public Safety | 22 | 23 | 28 | 31 | 32 |
| Streets | 5 | 5 | 5 | 5 | 4 |
| Parks and Recreation | 11 | 16 | 16 | 17 | 17 |
| Community Development | 3 | 5 | 6 | 7 | 6 |
| Total | 53 | 62 | 67 | 74 | 72 |

Source: Departmental records

| 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| 14 | 13 | 14 | 14 | 13 |
| 33 | 33 | 34 | 41 | 41 |
| 4 | 4 | 2 | 3 | 3 |
| 17 | 16 | 17 | 14 | 14 |
| 6 | 6 | 6 | 5 | 4 |
| 73 | 73 | 73 | 77 | 75 |

# Town of Trophy Club, Texas

## *OPERATING INDICATORS BY FUNCTION*

**Last Ten Fiscal Years (Unaudited)**

| Function | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|
| Public Safety | | | | |
| Police | | | | |
| Number of stations | 1 | 1 | 1 | 1 |
| Number of police personnel | 17 | 15 | 18 | 23 |
| Number of arrests | 128 | 102 | 101 | 82 |
| Number of traffic stops | 2,821 | 2,602 | 2,443 | 2,004 |
| Fire | | | | |
| Number of stations | 1 | 1 | 1 | 1 |
| Number of fire personnel | 14 | 14 | 14 | 15 |
| Number of calls answered | 741 | 845 | 945 | 907 |
| Developmental | | | | |
| Miles of streets | 42 | 43 | 43 | 43 |
| Parks/Recreational Changes | | | | |
| Parks | 7 | 6 | 6 | 6 |
| Park acreage | 1,037 | 1,039 | 1,039 | 1,039 |

Source: Departmental records

| 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| 1 | 1 | 1 | 2 | 2 | 1 |
| 25 | 25 | 26 | 26 | 24 | 25 |
| 125 | 145 | 148 | 130 | 275 | 157 |
| 2,912 | 3,635 | 2,922 | 4,262 | 5,397 | 3,106 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 15 | 16 | 17 | 18 | 17 | 17 |
| 868 | 898 | 868 | 858 | 871 | 965 |
| 43 | 43 | 43 | 43 | 52 | 52 |
| 6 | 6 | 6 | 6 | 6 | 6 |
| 1,039 | 1,039 | 1,039 | 1,039 | 1,039 | 1,039 |